



TETRA TECH
International Development

Indonesia - Australia Comprehensive Economic Partnership Agreement (IA- CEPA) Economic Cooperation Program – Katalis Mid-term Review

Final Review Report – 8 May 2024

Australian Government Department of
Foreign Affairs and Trade



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Abbreviations

Abbreviation	Description
AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ASEAN	Association of Southeast Asian Nations
Prospera	Australia Indonesia Partnership for Economic Development
DAFF	Australian Government Department of Agriculture, Forestry and Fisheries
DFAT	Australian Government Department of Foreign Affairs and Trade
CRP	COVID-19 Development Response Plan
EV	Electric Vehicle
EOPO	End-of-program outcomes
GESI	Gender Equality and Social Inclusion
Gol	Government of Indonesia
IA-CEPA ECP	Indonesia-Australia Comprehensive Economic Partnership Agreement Economic Cooperation Program
RPJMN	Indonesia's Mid-term Development Plan (Rencana Pembangunan Jangka Menengah)
IO	Intermediate outcome
KPI	Key performance indicator
MSME	Micros, small or medium enterprise
MEL	Monitoring, evaluation and learning
ODA	Official Development Assistance
RCEP	Regional Comprehensive Economic Partnership
RT4D	Regional Trade for Development
RTO	Registered Training Organisation
RGA	Regulatory Gap Analysis
TASS	Technical Assistance for Education System Strengthening
TVET	Tertiary and vocational education training
PRISMA	The Australia-Indonesia Partnership for Promoting Rural Incomes through Support for Markets in Agriculture
ECC	The Economic Cooperation Committee
JC	The IA-CEPA Joint Committee
Bappenas	The Ministry of National Development Planning (Indonesia)
WHIP	West Java Greenfields Hospital Development

Executive Summary

The Australian Government Department of Foreign Affairs and Trade (DFAT) has engaged Tetra Tech International Development (Tetra Tech) to undertake the Mid-term Review of the Indonesia-Australia Comprehensive Economic Partnership Agreement Economic Cooperation Program (IA-CEPA ECP) - hereafter referred to as Katalis. Katalis is a five-year (2020 to 2025) economic cooperation program with a commitment of AUD40 million in Official Development Assistance (ODA) from the Australian Government. It formally commenced operations after the Subsidiary Arrangement between Indonesia and Australia was signed in late June 2021.

The program’s goal is to maximise IA-CEPA benefits, support trade and investment, improve market access, and promote sustainable, inclusive economic growth in Indonesia by achieving the following outcomes:

- Greater **market access** for Indonesian and Australian businesses by 2025,
- Better **integrated markets** between Indonesia and Australia fostering new inclusive economic partnerships by 2025,
- Enhanced **labour market skills** for Indonesian businesses and government boosting productivity, gender equality and social inclusion by 2025.

The design for Katalis envisaged that the program would play an important role in supporting the implementation of IA-CEPA, and that it would work closely with the business communities in both countries to foster increased two-way trade and investment. Katalis’ work with the business community was expected to prioritise catalytic outcomes with strategic systemic impact beyond the immediate stakeholders.

The implementation and governance arrangements for Katalis reflect its genesis in IA-CEPA. The highest and strategic decision-making forum for the program is the IA-CEPA Joint Committee (JC) established under the Agreement, which is co-chaired by Government of Indonesia (GoI) Ministry of Trade and DFAT’s Free Trade and Agreement and Stakeholder Engagement Division. The JC approves the Annual Work Plan (AWP) for Katalis. An Economic Cooperation Committee, co-chaired by Indonesia’s Ministry of National Development Planning (Bappenas) and the Australian Embassy in Indonesia, develops medium-term objectives for Katalis, and oversees and reviews the implementation of the Work Plan and contribution to the implementation of IA-CEPA.

This Mid-term Review (the Review) focuses on understanding the extent of Katalis’ progress towards Intermediate Outcomes (IOs) and End-of-Program Outcomes (EOPOs). The Review also investigates:

- how the program’s modality and structure contribute to flexibility/adaptability, efficiency and value for money,
- how well the program’s monitoring and evaluation contribute to performance and decision-making,
- the lessons learned and areas for improvement for the program.

Katalis has evolved significantly from its design

Since its inception in 2021, Katalis has evolved in several ways from what was envisaged in the design. The most substantive distinctions between the specifications of its original design and how it delivers its activities are outlined in the table below.

It is important to note that the implementation of IA-CEPA is the responsibility of both the Australian and Indonesian governments. The framing of the design suggested that an economic cooperation program (like Katalis) would be responsible for the implementation of IA-CEPA, which is not reasonable given critical factors for success that sit outside of an economic cooperation program’s remit.

Specifications from the investment design	How it is currently delivered by Katalis
Market Access outcome area	
<ul style="list-style-type: none"> • The implementation of IA-CEPA is a stated ‘core business’ and work was expected to support legal and regulatory implementation of commitments on goods, services and investment under IA-CEPA to catalyse increased trade and investment between Australia and Indonesia. 	<ul style="list-style-type: none"> • A Needs Assessment – called a Regulatory Gap Analysis (RGA) – was completed and shared with both governments. Both governments agreed to first support a focus on the IA-CEPA side letters, with a significant focus on standards and mutual recognition arrangements (MRAs). • Engagement with GoI occurred mainly through activity proposals with limited substantive engagement with IA-CEPA committees/sub-committees/working groups.
Market Integration outcome area	
<ul style="list-style-type: none"> • Integration would be achieved through fostering broader and deeper sectoral partnerships through dialogue, exchange and training. 	<ul style="list-style-type: none"> • Katalis has significantly focussed on helping <i>individual</i> businesses pursue trade and investment opportunities in Indonesia or Australia. • The number of sectors was further expanded to include health; agri-technology; finance; green energy; Professional,

Specifications from the investment design	How it is currently delivered by Katalis
<ul style="list-style-type: none"> This would focus on sectoral and enterprise-level partnerships across agriculture, advanced manufacturing, and services. 	Telecommunications and ICT services; and the Creative Economy.
Enhanced Skills outcome area	
<ul style="list-style-type: none"> Katalis would contribute to enhanced labour market skills by supporting greater partnering between the Indonesian industry and Australian TVET providers. It would convene Indonesian Industry Committees involved with IA-CEPA priority areas among others to identify major skills gaps and develop courses and innovative delivery models with the support of TVET experts. Katalis would also establish a TVET Clearing House to facilitate procurement and partnership between Indonesian Industry and Australian TVET providers. The design also envisaged that the program would contribute to the reform of the Indonesian TVET sector. 	<ul style="list-style-type: none"> Katalis has focussed more on facilitating individual partnerships between large Indonesian online platforms to deliver online training (mainly for micro-credentials) or for firm/sector-specific conventional skills delivery programs. Katalis has not engaged directly in policy or the reform of the Indonesian TVET sector, but its work in the online space may be facilitating systemic change within the sector. Overall, Katalis' approach in the skills area is similar to its work on integration – focusing mainly on facilitating investments and partnering at the individual business level.

These changes reflect Katalis' response to the evolving context and reveal the expectations and preferences of key stakeholders.

Significant shifts in the program's focus has made assessments against the original design and program logic challenging and less meaningful

It is difficult to evaluate the extent to which Katalis is meeting its objectives as presented in the original design as they are not realistically achievable in a five-year program. With regard to the 'core business' of Katalis to implement IA-CEPA, the design overestimated the degree of influence that the program could have over sovereign governments that are parties to IA-CEPA. In practice, Katalis has limited ability to directly bring about the 'efficient and effective' implementation of IA-CEPA's commitments, and it can only help the governments to implement the Agreement if they explicitly seek Katalis' support.

Katalis has, however, supported the implementation of side letters to the Agreement, with a key result being the mutual recognition agreement of engineers and identifying opportunities for individual businesses to increase their participation in bilateral trade and investment. Ultimately, without being able to influence the implementation of IA-CEPA directly, Katalis is limited in its ability to strengthen two-way trade and investment between Indonesia and Australia.

This Review assessed performance against the End-of-Program and Intermediate outcomes specified in the design, and this leads to a point-in-time conclusion that the program is not on track to achieving some outcomes because they are not possible to achieve. However, the program is making a valuable contribution to the overarching goal of the program consistent with the spirit and intent of IA-CEPA.

The table below presents the Review's assessment of Katalis' progress against the design's version of the program logic.

Outcome specification	Assessment of progress
Intermediate outcomes	
IA-CEPA commitments are efficiently and effectively implemented and maximised supported by regulatory frameworks. Strategic market access opportunities identified	<p>The implementation of IA-CEPA commitments, and progressing the regulatory changes is the responsibility of both governments.</p> <p>Katalis has no direct role in this process and can only provide support and advice to the committees established under the Agreement and their members, on request. Katalis has identified strategic market access opportunities and provided information on regulatory and institutional issues associated with IA-CEPA implementation, and it has also assisted with implementation of side letters to the Agreement.</p> <p>Katalis has also been very active in socialising IA-CEPA and the opportunities it provides to Indonesian and Australian businesses.</p>
Engaged industry drives and invests in opportunities for trade and investment	<p>There are early indications for this outcome being achieved, most notably:</p> <ul style="list-style-type: none"> the groundbreaking ceremony for the West Java Greenfields Hospital Development (WHIP) project which signals investment into health infrastructure in West Java by an Australian business. an Indonesian business achieving market entry into Australia.

Outcome specification	Assessment of progress
Indonesia-Australia economic partnerships are developed across agrifood, advanced manufacturing and services	<p>Katalis' engagement with businesses is not necessarily the brokering of a partnership between an Australian and Indonesian provider. Indeed, some engagements are direct to a single commercial entity. The relationship between the business and a technical service provider procured by Katalis is also referred to as an implementation partnership - but this would not appear to be the kind of partnership targeted in the design.</p> <p>However, of the 14 business beneficiary activities that Katalis has supported to date at least eight would involve a bilateral partnership, with the highest profile being the partnership for the WHIP project culminating in a consortium between an Australian health provider and an Indonesian state-owned investment holding company.</p>
Enhanced and aligned standards and conformance ecosystem supporting more integrated markets	<p>Katalis has allocated work on this outcome to the Market Access team under the Market Access EOPO. As with the first IO, Katalis work in this area is determined by opportunities created by IA-CEPA committees and their members.</p> <p>Katalis has been doing useful work on side-letters to the Agreement, some of which are concerned with capacity building associated with standards and with mutual recognition agreements.</p>
Improved systems and inclusive policies for developing and identifying labour market skills and requirements.	<p>There is strong evidence that Katalis is helping improve market-based systems for delivering certain kinds of skills development programs by brokering partnerships between Australian training providers and Indonesian business.</p> <p>However, Katalis' activities are not necessarily about systems improvements and policy development for labour market skills identification. To some degree, Katalis does enable this through some of its labour market skills analysis, but this is ultimately not the focus of the Skills breakthrough area.</p>
End-of-Program Outcomes	
Greater market access for Indonesian and Australian businesses by 2025	<p>This EOPO is partly linked to ensuring IA-CEPA commitments are efficiently and effectively implemented and maximised. The limitations around Katalis' ability to implement the Agreement itself (given implementation is principally the responsibility of the two governments) impact this outcome as well.</p> <p>However, the statement focuses on a relative change in Market Access through the use of the term 'Greater' and some progress is being made toward this through Katalis' other activities.</p>
Better integrated markets between Indonesia and Australia fostering new inclusive economic partnerships by 2025	<p>Katalis' engagements with businesses directly contribute to this end-of-program outcome and the evidence indicates that it is progressing to its achievement.</p> <p>Given that the statement focuses on a relative change by the use of the term 'Better', the outcome remains in progress. However, the extent that this outcome can be fully achieved may require further consideration given that there have been only 14 business beneficiary activities to date (noting, though, that there are some prospective opportunities in the pipeline). From the available evidence, this Review is currently uncertain as to the extent that Katalis will be able to facilitate the broader systemic change needed to enable greater market integration given the relatively small numbers of businesses that it is engaged with.</p>
Enhanced labour market skills for Indonesian businesses and government, boosting productivity, gender equality and social inclusion	<p>The provision of training has not yet occurred and as such, this Review cannot yet determine whether skills development has occurred. However, given the significant uptake of both training providers and businesses – the evidence indicates that Katalis is on track towards this outcome.</p>

Katalis has focussed on supporting Australian and Indonesian businesses pursue opportunities in trade and investment

Katalis has been very successful in helping 14 individual Australian and Indonesian businesses investigate and, in some cases, give effect to trade and investment opportunities. Katalis has consciously prioritised work with larger and well-resourced businesses that have extensive value chains and are expected to extend benefits to suppliers and buyers across business ecosystems, including small to medium enterprises (a sector of considerable strategic interest to the Government of Indonesia). The focus on these high-profile activities is also expected to have a demonstration effect on the mutually beneficial trade and investment opportunities enabled by IA-CEPA.

It is difficult to determine how much of a 'catalytic' role Katalis has had towards the broader formation of economic partnerships, and there is limited evidence to date that its activities across the whole portfolio have brought about systemic changes in either country's markets. This is not in itself surprising given the short time in which Katalis

has been in operation and the typically long expected lead times between Katalis' input and the realisation of commercial, let alone systemic impacts. This situation would have been exacerbated by the impact of the COVID-19 pandemic during Katalis' early years. Katalis appears well regarded as a 'strategic partner' by many businesses it has worked with and by the various business associations and trade and investment promotion organisations in Indonesia and Australia. This has been an important development given initial misapprehensions among parts of the business community regarding the nature of the program and the purposes to which its resources would be put.

Under its skills outcome area, Katalis is also trialling and delivering innovative tertiary and vocational education training (TVET) models that involve brokering partnerships between Australian providers and Indonesian businesses facilitated through a digital platform. The models are designed to explore and respond to business-driven demand and as such, offer an alternative to more conventional supply-driven approaches to TVET. So, while it is not directly addressing the broader Indonesian skills development system and associated policies and institutions, Katalis is demonstrating that a commercial, online approach to the provision of certain kinds of skills is viable, as demonstrated by the demand for participation by providers and businesses. At this stage of the program, there is no observable evidence of the impact in terms of skills development. However, the appetite for participation by Australian providers and Indonesian businesses provides an early indication that the program is on track towards developing Indonesia's labour market skills.

Consultations with stakeholders revealed varying expectations of what constitutes success, particularly for Katalis' engagement with businesses. While there is agreement that Katalis' involvement (i.e. delivery of a technical output such as a feasibility study) is not an adequate measure of success by itself, there is no consistent agreement on whether the realisation of a commercial outcome for the business or a broader social benefit can be considered as a success.

We note that Katalis applies investment criteria when selecting which business it engages with. The criteria requires (among others) both a commercial outcome for the business and a broader societal benefit, with room to improve its emphasis on pursuing systemic change.

While the businesses themselves appreciated the support from Katalis and the fact that it went beyond the provision of funding for activities on the pathway to an investment or pursuit of new markets, it was difficult in the majority of cases to identify what (if any) systemic change (e.g. an underlying trade and investment problem) that Katalis' support helped address. Many businesses cited Katalis' support as key to proceeding but one indicated that it would probably have done so without that support. Some indicated that the fact that Katalis was a program endorsed and funded by both governments helped 'de-risk' their commercial decisions.

There is no specified requirement for Katalis' to solve a 'trade and investment problem' either in the design or in the current implementation when it considers its involvement with a business. However, Katalis would be much more likely to have a systematic impact if the support or the 'problem solved' by Katalis enables other businesses to benefit from ensuing system changes such as regulatory or policy changes or tackling formal and informal 'rules of the game' that stand in the way of businesses fully realising trade and investment opportunities.

The program has yet to gain approval for a MEL plan to support performance reporting and decision-making

A draft of Katalis' Monitoring, Evaluation and Learning (MEL) plan was assessed externally to be robust, realistic and measurable. The MEL plan specifies that it will support decision-making by providing the data and evidence that underpins progress reporting. However, the plan has yet to receive formal approval because it is based on a proposed re-specification of the program logic for Katalis. This re-specification would entail a significant update to its intermediate outcomes and timeline clarifications to its end-of-program outcomes.

Katalis acknowledges that the reporting to date has primarily focussed on outputs, while outcomes reporting will only become a feature in its reporting from July 2023 onwards. Given this and that the MEL plan remains relatively new and yet to be approved, it is not possible to determine how it is currently supporting program decision-making. But the MEL framework is well-designed to serve this purpose, noting the usual limitations that many MEL plans are subject to – in particular, the ability to make causal linkages between its programmatic outcomes (such as the number of businesses engaged with the program) to macro-economic outcomes such as trade volumes.

The program has elevated GESI in its strategic approaches and activities

While the design proposed that closing the gender equality gap and supporting greater inclusion in Indonesia and Australia would be integrated throughout the program, in practice, the program logic as specified in the design accorded GESI a relatively low priority.

Since implementation began, the program has revisited the way it engages with GESI and disability inclusion, reflecting the high priority accorded in Australia's development policies and the critical role that inclusion and gender equality can and should play in the achievement of Indonesia's economic growth objectives. This said, there is still some way to go to ensure that activity selection places appropriate priority on the GESI criterion for

investments and to develop and implement a clear approach to measuring, quantifying and reporting the extent to which GESI is integrated into the program's portfolio.

The program is flexible and operates in a lean way

As demonstrated by the changes from its original design, Katalis has proven to be highly responsive and flexible to changing circumstances and emerging priorities and needs expressed by the governments of Indonesia and Australia, reframing its engagement across the three outcome areas in the light of changing priorities and emerging lessons and managing and seeing opportunities arising from the COVID-19 pandemic.

Katalis and its shared services model appear to be very efficient, with significant, complex and demanding activities being delivered with a relatively modest staff and operational services budget. The 'Collaborative Hub' as envisaged in the design has not been pursued to any great extent, given the realities of attempting to get different programs with different implementers to work together.

An essential feature of the program is its work with the business sector, which has very limited economies of scale. Expanding the number and scope of business engagement activities beyond current levels requires substantial additional (and often quite specialised) team resources.

The governance arrangements associated with the program's modality, however, have the potential to limit the nimbleness with which Katalis can respond to and deliver against opportunities arising from engagement with the private sector, and processes to efficiently address the complex set of risks associated with the program are still evolving. The challenges associated with the governance arrangements include:

- the governance arrangements being linked to the structures of IA-CEPA
- inadequate information flows to satisfy heightened interest and differing information needs
- the need for timely decision-making

This Review has frequently heard feedback from stakeholders calling for more communication and information. Interest in better understanding Katalis' activities has grown over time and this appears to be driven by a combination of factors including:

- Katalis being a unique development program with an unusual management structure
- changes in focus since the design
- the perception that its activities are discrete and disconnected
- the high-profile visibility given Katalis' need to have a brand that is conspicuous to the business sector

Lessons learned and suggestions for the future

The key lessons arising from this Review are:

- Katalis has performed exceptionally well in difficult circumstances, and the program is on track to deliver some important outputs to enhance two-way trade and investment between Indonesia and Australia.
- An economic cooperation program embedded in a trade and investment agreement like IA-CEPA requires the commitment and clear mandate from both parties to the Agreement.
- Katalis' work with businesses has helped them progress towards commercial outcomes; however, there is little evidence that the support to those businesses, in turn, enables greater systemic change that unlocks the pathways to trade and investment for other businesses.

Decisions about the future of Katalis require a reconsideration of its purpose as a development assistance program

The two governments will likely want to continue economic cooperation as called for in IA-CEPA after the current phase of Katalis comes to an end, and this is likely to need some kind of contracted support. Whether this needs to be of the form and scale of Katalis is a decision for both governments. Developments with respect to new initiatives aimed at supporting stronger commercial relationships between the two countries will have important implications for the shape of a new program to support IA-CEPA cooperation. With this said, the program has demonstrated an ability to deliver significant outputs, with a number of clear and credible lines of sight to systemic change and development outcomes, as called for in the original design. Further, it has developed a strong reputation amongst the Indonesian and Australian business communities interested in enhancing two-way trade and investment, and this is a valuable asset for future engagement.

This Review suggests that:

- There will need to be a rethink of Katalis' purpose, to reflect lessons learned, the changing context, and to redress limitations in the original design. A revised design should retain the three broad outcome areas, but place much greater emphasis on pursuing systemic change. This will likely entail some amendments to its Investment Criteria to make these requirements more explicit and to be more clearly analysed and addressed:

- Future co-investments should be built around an explicit analysis of the problem that government funding is helping resolve and have a clear development and economic (as opposed to commercial) rationale and should be addressing a market or institutional failure or have a clear equity or inclusion/distributional objective.
 - Co-investments need to demonstrate additionality – that without the support, outcomes would not occur or be substantially delayed, and that Katalis’ support is targeted at the underlying problem or opportunity. They need to demonstrate that they are targeting sustainable changes or will be accompanied by appropriate follow-up activities that target such changes.
- Should a three-year extension for Katalis be exercised, it will also be necessary to consider how operational and other program elements currently delivered through the arrangements with Prospera would be delivered, since Prospera in its current form will terminate in early 2026. Katalis may need to be resourced to provide those elements internally.
- Consideration need to be given to where Katalis fits in DFAT’s broader economic development priorities in Indonesia and across ASEAN, in particular, in the context of the way in which the Invested: Australia’s Southeast Asian Economic Strategy to 2040 may be implemented.

Work to make decisions and act on these suggestions should be initiated soon as Katalis has generated momentum and good-will with the business sector. Any delays or disruption to its activities will risk losing that good-will and momentum, which may impede its future ability to progress its objectives.

There is room for improvement for the remaining two-years

The Review does not suggest major changes to the current structure for Katalis given that substantive strategic choices need to be made for a future phase and when considering what can realistically be applied in the remaining two-years. However, the Review makes the following recommendations for improvements for the final two-years of program implementation.

Findings	Recommendation for improvement
The program logic as specified in the design is no longer a useful articulation of intended outcomes, given how much Katalis has evolved since its design.	Agree on a fit-for-purpose program logic, particularly a more relevant set of intermediate outcomes.
Katalis' governance structures can impact its nimbleness in engaging with the business sector.	Develop an effective method for collaboration between the different governance structures within DFAT and with the structures of IA-CEPA. This can mean agreeing on mechanisms to exchange information, clarify expectations and set out an approach to timely decision-making.
Persistent feedback from Gol and DFAT stakeholders is the need for more and regular communications about the strategic and operational aspects of the program.	Katalis’ communication products for the broader community are excellent. But the lack of a clear vision across government stakeholders about what the program is trying to do, how success is defined and measured and the intentions behind some operational choices suggests that Katalis will need to improve its communications with this category of stakeholders. However, given the diversity of agendas and information needs, this needs to be adequately resourced to ensure communications are tailored and timely.
Katalis has a shared services arrangement with Prospera, enabling the efficient sharing of back-office functions. However, Prospera will conclude its current program iteration, which has implications for the arrangement in the future should Katalis continue.	Should a three-year extension for Katalis be exercised, an alternative approach to address the shared services arrangement needs to be considered for a successor for Prospera as well as an interim arrangement, given that Prospera terminates shortly after the end of Katalis’ current phase.

1 Introduction

The Australian Government Department of Foreign Affairs and Trade (DFAT) has engaged Tetra Tech International Development (Tetra Tech) to undertake an Independent Mid-term Review of the Indonesia-Australia Comprehensive Economic Partnership Agreement Economic Cooperation Program (IA-CEPA ECP) Katalis (hereafter referred to as Katalis). This report sets out the findings and recommendations from the Mid-term Review.

1.1 The Indonesia-Australia Comprehensive Economic Partnership Agreement

IA-CEPA came into force on 5 July 2020, embodying the outcomes of a process of negotiation and consultation that began in 2010.

IA-CEPA builds on existing multilateral and regional trade and investment agreements, with chapters covering a conventional (for a modern bilateral preferential trade agreement) range of issues affecting trade and investment between the two countries. The Agreement provides for greater access (lower tariffs and automatic issuance of import permits for most goods currently exported to Indonesia from Australia and increases in permissible levels of Australian ownership of companies involved in a range of sectors) and for a 'set of high-quality modern rules governing the treatment of services and investment' including digital trade.¹ It also contains a skills package and provides increased access for Indonesians to Australian training, work, and holiday visas, as well as a liberal origin requirement for Indonesian electric vehicle imports into Australia.

An important feature of IA-CEPA is its chapter laying out how both countries will engage in economic cooperation. Katalis is the vehicle through which Australia funds and delivers activities that deliver this cooperation.

The Economic Cooperation chapter of IA-CEPA lays out the expectations of both parties regarding the focus and modus operandi of cooperation under the Agreement. The chapter specifies:

“Economic cooperation under this Chapter shall be built upon a common understanding between the Parties to support the implementation of this Agreement, with the objective of maximising its benefits, supporting pathways to trade and investment facilitation, and further improving market access and openness to contribute to the sustainable inclusive economic growth and prosperity of the Parties.”

The design for Katalis indicates that implementation of IA-CEPA will be the 'core business' of the program. Other trade agreements have packages designed to assist implementation, but Katalis is different because of its predominant focus on industry engagement aimed at promoting economic links that IA-CEPA should facilitate. The design envisages that Katalis would:

“Combine sound trade and development practice to support Indonesia to maximise the benefits of the Agreement, addressing regulatory challenges (through technical assistance) while resourcing innovative industry engagement in sectors of mutual interest and by investing in standards, skills and private sector development.”

The strong focus on industry engagement is motivated by the perceived role of the private sector as a demander of economic reform and as the driver of a desired step-change in two-way trade and investment.

¹ [Indonesia-Australia Comprehensive Economic Partnership Agreement: Outcomes | Australian Government Department of Foreign Affairs and Trade \(dfat.gov.au\)](https://dfat.gov.au)

1.2 Overview of Katalis

Katalis is a five-year (2020 to 2025) economic cooperation program with a commitment of AUD40 million in Official Development Assistance (ODA) from the Australian Government. It started operations in December 2020, and formal activities began after the associated Subsidiary Arrangement between Indonesia and Australia was signed in June 2021.

The program’s goal is to maximise IA-CEPA benefits, support trade and investment, improve market access, and promote sustainable, inclusive economic growth in Indonesia. To support these goals, Katalis focuses on achieving three key end-of-program outcomes (EOPOs) by 2025. Katalis structures and focuses its efforts against these EOPOs and refers to these as breakthrough areas. An overview of the three EOPOs / breakthrough areas as described in the Annual Work Plan for 2023 is presented in Table 1².

Table 1: Overview of Katalis’ breakthrough areas / EOPOs

Breakthrough areas / EOPOs	Focus areas for Katalis	How Katalis aims to achieve this
<p>1: Market Access EOPO: Greater market access for Indonesian and Australian businesses by 2025</p>	<ul style="list-style-type: none"> Ensuring IA-CEPA commitments are efficiently and effectively implemented and maximised. The identification of strategic market access opportunities leads to industry driving and investing in these opportunities. 	<ul style="list-style-type: none"> Broadening of the bilateral relationship by identifying business partnerships in key areas of digital services, the green economy, sustainable agriculture as well as the creative economy, professional services and finance while also identifying emerging opportunities for IA-CEPA phase II, especially related to gender equality, disability and social inclusion and digital trade. Providing analytical support on investment and trade in services and related targeted assistance to further the mutual recognition of professional engineers and nurses, as well as support for tourism investment and other opportunities. Providing ongoing analytical support to trade in goods as well as support to align bilateral standards in areas such as pharmaceuticals, medical devices, wellness and agri-products.
<p>2: Market Integration EOPO: Better integrated markets between Indonesia and Australia fostering new inclusive economic partnerships by 2025</p>	<ul style="list-style-type: none"> Katalis positions its investments around the clusters in agri-food, advanced manufacturing and services to achieve critical mass and impact. Agri-food – Katalis will build on partnerships with a focus on grains and explore new areas such as horticulture. Advanced manufacturing – Katalis will have an early focus on electric batteries and resource inputs into Indonesia’s planned electric vehicle program, supporting closer collaboration and new opportunities for partnerships in advanced manufacturing. Services – Katalis will focus on building inclusive business collaborations in one or more areas of financing, asset warehousing, and loyalty programs, digital identity and security, digital platforms and payment solutions, and other areas emerging from market engagement. 	<ul style="list-style-type: none"> Helping industry identify and subsequently invest in opportunities for more trade, industry development, and integrated supply chains. Katalis develops economic partnerships across the targeted sectors of agri-foods, advanced manufacturing and services (such as health and education etc.) and once formed, these will continue to develop towards improving market integration.

² As discussed later in this report, there have been some changes in focus of Katalis’ work compared to what was envisaged in the original Investment Design Document

Breakthrough areas / EOPOs	Focus areas for Katalis	How Katalis aims to achieve this
<p>3: Skills for Recovery</p> <p>EOPO: Enhanced labour market skills for Indonesian businesses and government boosting productivity, gender equality and social inclusion by 2025</p>	<ul style="list-style-type: none"> • Katalis continues to roll out the new Indonesia-Australia Skills Exchange Platform. • Katalis continues to work with Indonesian digital platforms Traveloka, Pintar and Binus while looking to build new digital platform collaborations. • Katalis builds large-scale commercial skills partnerships. 	<ul style="list-style-type: none"> • Supporting the delivery of training and skills development in priority sectors, building connections between Indonesia’s major business sector employers and Australia’s Technical Vocational, Education and Training (TVET) providers and other skills providers.

1.2.1 Governance arrangements

Katalis is supported by both the Australian Government and the Government of Indonesia (GoI) and is implemented by DT Global as its managing contractor. The program’s governance arrangements are closely intertwined with the institutional structures laid out in IA-CEPA, while still allocating critical responsibilities to the Senior Responsible Officer in the Embassy in Jakarta.

The IA-CEPA Joint Committee (JC) is the highest strategic decision-making forum for Katalis and is co-chaired by representatives of the Indonesian Ministry of Trade and DFAT (currently the First Assistant Secretary of the Free Trade Agreements and Stakeholder Engagement Division). This committee is the oversight body for the overall agreement and is charged with considering any matter related to the implementation of IA-CEPA. The JC provides policy and strategic direction for Katalis and approves annual work plans. More information on the role of the JC and other elements of Katalis’s governance structure is provided in Annex A.

The Economic Cooperation Committee, also established under IA-CEPA, considers and recommends matters related to Katalis to the JC. It is co-chaired by representatives from the Indonesian Ministry of National Development Planning (Bappenas) and DFAT (currently the Minister Counsellor and Head of the Economic, Investment and Infrastructure Branch from the Embassy), and includes the Indonesian Ministries of Trade and Foreign Affairs as members. This committee is charged with developing medium-term objectives to guide the development of Katalis annual work plans, reviewing and endorsing such plans and advising the JC on the plans and annual reports from the program. It also coordinates with other IA-CEPA committees on cooperation matters and is charged with resolving issues and concerns about the implementation of work plans as required. Katalis is expected to provide secretariat support to the ECC and has a range of functions regarding the development of work plans and strategic documents and reporting on program and budget execution.

1.2.2 Impact of the COVID pandemic

Katalis’ early operations were significantly affected by the COVID-19 pandemic, and the actions taken by various governments to manage its spread and impacts. Restrictions on movements limited the program team’s ability to build critical early relationships, and preoccupation with the pandemic limited the attention that officials could give to the work of IA-CEPA committees and to the early activities of the program intended to set the scene for future work. Katalis also pivoted to support recovery from the pandemic, for example by prioritising the health and tourism sectors and digital services. This review has factored the effects of the pandemic into its consideration of the program’s performance.

2 The Katalis Mid-term Review

DFAT commissioned the Mid-term Review of Katalis in 2023 with the primary objective of assessing the program’s progress to date in achieving its EOPOs, whether this progress is on track as expected, and the factors that have contributed to its progress. As a secondary objective, the Review is intended to identify any lessons learned to better inform decision-making around the scope, governance, objectives, and modalities for the remainder of Katalis’ current phase.

The Review was expected to:

- assess the program’s performance against DFAT’s evaluation criteria of effectiveness (including the adequacy of monitoring and evaluation mechanisms), efficiency, and gender equality, disability, and social inclusion (GESI)
- provide initial views on whether and how DFAT should proceed beyond the first five-year phase of Katalis.

The key intended audience for this Review includes:

- DFAT, including the Australian Embassy Indonesia (Jakarta), the Free Trade Agreements & Stakeholder Engagement Division, and the Southeast Asia Maritime Division
- Relevant GoI ministries, in particular, Bappenas, the Ministry of Trade, and the Ministry of Foreign Affairs
- The Katalis Senior Leadership Team
- DT Global, as the implementing managing contractor for Katalis

2.1 Review scope

The Review was designed to capture clear evidence of Katalis’ achievements, contributions, challenges and lessons learned during the implementation period to date. The Review provides an analysis of program tracking and recommendations for improving program delivery going forward.

The Review has focused on the following matters:

- evidence of progress towards intermediate and end-of-program outcomes.
- examples of areas where Katalis is not on track to meet its objectives, reasons why this has occurred, and recommendations on improving progress in these areas.
- assessment of how Katalis monitors its progress towards maximising the benefits of IA-CEPA and how its monitoring and evaluation practices contribute to its performance and decision-making.
- evidence of Katalis’ modality and structure contributing to flexibility/adaptability, efficiency, and value for money, including the governance functional incorporation of Katalis into the Australia-Indonesia Partnership for Economic Development (Prospera) and recommendations on how this model might be improved.
- evidence of good practices on current program performance and progress that can inform better program implementation moving forward.
- the extent to which the program has successfully incorporated GESI outcomes into its activities and broader strategy.
- analysis of lessons learned and areas for improvement to better inform decision-making around the scope, governance, objectives, and modalities for the remaining period of Katalis.

2.2 Review questions

Underpinning this Review and its methodology are a set of Key Review Questions and Sub-questions as set out in the original terms of reference. An overview of the Review Questions and Sub-questions is presented in Table 2.

Table 2: Katalis Mid-term Review Questions

Question	Sub-question
1) What evidence is there that Katalis can achieve the Intermediate and End of Program Outcomes by 2025? (priority question)	a) To what extent does the program play an influential role in strengthening two-way trade and investment between Indonesia and Australia? b) To what extent does the program catalyse new and existing economic partnerships and commercial relationships? c) To what extent does the program contribute to progress towards the objectives of DFAT’s Indonesia COVID-19 Development Response Plan (CRP)? d) What evidence is there that DFAT’s priority on GESI is being implemented effectively across all parts of the program? e) To what extent has the program contributed to the upskilling of the Indonesian labour market?

Question	Sub-question
2) Has Katalis' implementation to date reflected Indonesia and Australia's priorities or interests? If so, in what ways?	a) To what extent do the program's activities fit coherently within the Katalis investment criteria and/or the IA-CEPA agreement? b) To what extent does the program modality enable sufficient flexibility for changing circumstances and responsiveness to Indonesian and Australian government needs? c) Is the current budget envelope and its distribution across the different parts of the program considered appropriate or inappropriate to achieve the program's objectives? d) How does the program complement private sector partners (including those that provide market access, partnership brokering and training services) and other DFAT investments? Is there any overlap? e) What are the key strategic issues related to Katalis that are keeping both governments occupied? f) How is Katalis aligned with the Australian Government and the Government of Indonesia's priorities? g) What has changed in the program since it was first developed under the initial design in 2019? Why were the changes needed?
3) Have Katalis' monitoring and evaluation practices provided adequate evidence for performance assessments?	a) To what extent do they support the program's decision-making? b) How does Katalis apply MEL to assess its progress?
4) How could Katalis implementation be improved going forward and how should DFAT proceed beyond the first five-year phase of Katalis?	a) What lessons are there from the program's performance to date that can improve the implementation of the program over its remaining two and a half years? b) What lessons are there from the design and implementation of the program that can inform future DFAT programs related to trade agreements? c) How has Katalis considered the sustainability of its activities?

The Review questions above formed the basis of a detailed Review Framework which guided the processes for this Review. The Review Framework can be found in Annex B.

2.3 Approach and methodology

Guided by the Review Framework, the Review employed a mixed-methods approach combining quantitative and qualitative data analysis as well as a stocktake of Katalis' activities (and how they are undertaken). The data analysis itself drew on Katalis' MEL data where available, program documentation, and stakeholder consultation. Annex C provides details of the documents reviewed and stakeholders consulted during this Review.

2.4 Structure of this report

This document sets out the findings, analysis and recommendations from the Review. The following sections of the report:

- discuss some strategic and whole-of-program issues that have impacted the Review's considerations (Section 3).
- describe how the program has evolved, resulting in a construct that is quite different in certain areas from what the design appeared to envisage (Section 4).
- responds to evaluation questions concerning the program's relevance (Section 5).
- considers evidence bearing on the question of program effectiveness (Section 6).
- responds to questions concerning adaptability and efficiency (Section 7).
- assesses the program's MEL framework (Section 8).
- summarises key findings and presents suggestions for a possible second phase of Katalis, and for the remaining period of the current phase.

Table 3 indicates where each of the Review's questions are addressed.

Table 3: How the Mid-term Review report is structured to respond to each review question and sub-question

Question	Sub-question	Section in this report
1) What evidence is there that Katalis can achieve the Intermediate and End of Program Outcomes by 2025? (priority question)	a) To what extent does the program play an influential role in strengthening two-way trade and investment between Indonesia and Australia?	Section 6.2.1
	b) To what extent does the program catalyse new and existing economic partnerships and commercial relationships?	Section 6.2.2
	c) To what extent does the program contribute to progress towards the objectives of DFAT's Indonesia Covid-19 Development Response Plan (CRP)?	Section 6.4
	d) What evidence is there that DFAT's priority on GESI is being implemented effectively across all parts of the program?	Section 6.2.3
2) Has Katalis's implementation to date reflected Indonesia and Australia's priorities or interests? If so, in what ways?	e) To what extent does the program contribute to the upskilling of the Indonesian labour market?	Section 6.2.3
	a) To what extent do the program activities fit coherently within the Katalis investment criteria and/or the IA-CEPA agreement?	Section 4.1.2
	b) To what extent does the program modality enable sufficient flexibility for changing circumstances and responsiveness to Indonesian and Australian government needs?	Section 7.1
	c) Is the current budget envelope and its distribution across the different components of the program considered appropriate or inappropriate to achieve the program's objectives?	Section 7.2
	d) How does the program complement private sector partners (including those that provide market access, partnership brokering and training services) and other DFAT investments? Is there any overlap?	Section 7.3
	e) What are the key strategic issues related to Katalis that are keeping both governments occupied?	Section 6.1
	f) How is Katalis aligned with the Australian Government and the Government of Indonesia's priorities?*	Section 5
	g) What has changed in the program since it was first developed under the initial design in 2019? Why were the changes needed?	Section 4
3) Have Katalis' monitoring and evaluation practices provided adequate evidence for performance assessments?	a) To what extent do they support the program's decision-making?	Section 8.1
	b) How does Katalis apply MEL to assess its progress?	Section 8.1.1
4) How could Katalis implementation be improved going forward and how should DFAT proceed beyond the first five-year phase of Katalis?	a) What lessons are there from the program's performance to date that can improve the implementation of the program over its remaining two and a half years?	Section 9
	b) What lessons are there from the design and implementation of the program that can inform future DFAT programs related to trade agreements?	Section 9
	c) How has Katalis considered the sustainability of its activities?	Section 6.5

3 Strategic and whole of program considerations

Katalis has several features, related to how it was designed and how it has evolved, that are unusual for a development assistance program. These features shape the assessments presented in this Review, and play a critical role in how the Review has approached its task of making suggestions for the future. This section describes these features and how they affect the operation of the program — issues which this Review has had to take into account (noting that there are few comparators from which to identify accepted good practice).

Key findings

- Katalis faces a range of expectations about what it should deliver and how its success should be defined given the breadth of stakeholders and sectors it engages with. These expectations are sometimes in conflict with each other.
- The program's ability to engage with the implementation of IA-CEPA is determined by the agendas and activities of the committees established under the Agreement. Katalis has found ways to support implementation, but perhaps not in such an ambitious way as apparently envisaged in the original design. This reality, together with the way the program typically engages with businesses limits its ability to use this engagement as an opportunity to drive reform.
- The investment criteria used by Katalis to guide choices regarding collaboration with businesses include both commercial and development-focused goals, and the program prioritises working with large businesses with an expectation that benefits will flow to suppliers and buyers across business ecosystems. Such an approach to the use of public funds requires particular attention be paid to the public policy rationale behind each intervention.
- Katalis has delivered most of its activities by itself, reflecting the reality of how contracted development assistance programs operate. The design intent for the modality to involve a Collaborative Hub was shown to be challenging and unrealistic to apply in practice.

3.1 The nature of Katalis

The design for Katalis states that it is a development program with a unique set of stakeholders and governance arrangements tied to a trade agreement. There is a long history of using ODA to help developing countries benefit from trade liberalisation and global and regional integration. Australia itself has long supported countries to pursue trade-related growth and has helped finance economic cooperation programs linked to multilateral and regional trade agreements.

Katalis is somewhat different from past engagements because it is linked to a *bilateral* agreement and explicitly envisages working to foster business-level partnerships in pursuit of expanding two-way trade and investment. Katalis is also clearly seen as part of the broader strategy for enhancing economic engagement between Australia and Indonesia, bringing expectations of its support for commercial outcomes that are not typically sought by development assistance programs.

Because Katalis works with many different stakeholders across a range of sectoral domains and value chains and is embedded in high-level statements of intent regarding strategic and commercial objectives for the relationship between Indonesia and Australia, it confronts a range of different expectations about what it should deliver and how success might be defined and assessed.

3.1.1 Trade liberalisation and regulatory reform

The design for Katalis envisages that it will 'support legal and regulatory implementation of commitments on goods, services and investment under the IA-CEPA'. This is a common element of aid-for-trade programs and reflects an expectation that the commitments entered into under an international agreement will provide a framework and motivation for signatories to embed compliant market access and regulatory and institutional reforms into their domestic systems.

In Katalis' case, the scope for doing this is determined by the appetite and capacity of the committees established under IA-CEPA to prioritise and help navigate the processes of change this involves. Katalis has no direct role in this process and can only provide support and advice to the committees established under the Agreement and their members, on request. The scope is also conceptually limited given that many of the regulatory and institutional reforms needed to support implementation of IA-CEPA are not readily – or appropriately – addressed on a bilateral basis and involve broader whole of economy issues over which the committees have limited remit. As discussed in the next section, it seems that this appetite has been limited during Katalis' life, with consequences for the extent to which the program has been able to deal with its 'core business'.

In addition, the guiding principles for activities that 'support Australia's commercial and economic diplomacy agenda and Indonesia's economic reform agenda' make it difficult for Katalis to use business engagements to motivate and mobilise support for regulatory reform. Activities are expected to be 'politically feasible and practical' – a requirement that in practice appears to have ruled out working with businesses interested in bilateral trade and

investment opportunities whose success might be predicated on policy and regulatory reforms in Indonesia and Australia, changes in implementation practices, or to support the case for change.

The implication of this is that the expected outcomes for Katalis need to be calibrated to what it is actually able to achieve. It cannot be held to account for delivering 'implementation' of IA-CEPA. Rather, it should be assessed against how well it supports the institutional structures and participants in the Agreement in their role in implementation.

3.1.2 Private sector engagement and fostering partnerships

Katalis' design envisaged that work in the second outcomes area (market integration) would involve fostering broader and deeper sectoral partnerships, including facilitating dialogue at the business/industry association level and between government ministries with relevant portfolios, conducting opportunity and scoping studies and supporting exchange, training and research in high priority sectors initially identified by IA-CEPA committees. It also envisaged that this would involve assessing cross-cutting limitations on better integrated markets, such as different standards and conformance and corporate governance, a process consistent with the design's expectation that Katalis would engage on future trade restricting, technical and informal/cultural barriers that may not 'conform with IA-CEPA commitments'.

It would appear that the design and the investment criteria proposed in the design to guide activity choices focused on an intention for Katalis to support collective actions by industry and other stakeholder organisations to enable the realisation of opportunities for the development of commercial linkages and to bring to the attention of authorities any limitations on these opportunities.

Public sector support for collective endeavours by industry stakeholders has a fairly well-established economic rationale (provided it is not used to suppress competition), and the framework shaping potential Katalis work in the space helps ensure the defensible use of this support. The case for public sector support to individual businesses for selected commercial ventures can be more difficult to sustain unless there is very clear public policy objective being pursued by that support, and if there is not a more efficient and equitable way of pursuing that objective. If, as appears to be the case, Katalis becomes increasingly involved in working with individual businesses, then it is desirable to structure the investment criteria and selection processes to ensure that the support is aligned with principles of good economic policy for market economies like Indonesia and Australia. This can help dispel concerns about Katalis being seen to be providing commercial benefits to businesses in either country.

The design proposes that Katalis should:

Where possible, and reflecting resource constraints, prioritise activities that have the potential for a strategic, systemic impact (beyond just the immediate stakeholders). This will require that activities are demand-driven (as tested by stakeholder consultations), and could include activities that signal, broader opportunities to the wider industry and that support regulatory reform: a portion of funding for these activities will be dedicated to socialisation of outcomes.

It would be desirable to make this a more binding (rather than qualified with a 'where possible') requirement for all activities providing direct support to individual businesses.

3.2 The delivery model

The design envisaged that the delivery model for Katalis would be a Collaborative Hub, acting as an entry point and vehicle for enlisting the engagement of existing bilateral and regional trade and development programs such as Australia Indonesia Partnership for Economic Development (Prospera), Australia-Indonesia Partnership for Promoting Rural Income Growth through Support for Markets in Agriculture (PRISMA), Australia Awards Indonesia, the Australia-Indonesia Centre, the Partnership for Australian and Indonesian Research, Technical Assistance for Education System Strengthening (TASS) and Investing in Women, as well as enlisting support from Government of Australia agencies like Austrade. It was expected that the Hub would respond to requests from the Governments of Indonesia and Australia and would resource delivery partners engaged with other Australian-funded programs to deliver the chosen cooperation activities.

Even without the benefit of hindsight, this approach looks to be inconsistent with the reality of how contracted development assistance programs operate and with the ongoing difficulties of promoting government to government partnering. In practice, Katalis has delivered most of its cooperation activities itself while finding niche areas of collaboration with some Government of Australian agencies and contracting some assistance programs with unique specialised capabilities oriented towards responding to stakeholder requests.

This has had implications for Katalis' resourcing and management.

3.3 Governance arrangements

Katalis' overarching governance structures are determined by the institutional arrangements set out in IA-CEPA, sitting alongside an allocation of responsibility for the overall performance of the program with the Senior Responsible Officer at the Embassy. This has meant that the operations of the program have been bound up with the workings of those arrangements, with negative as well as positive effects.

The nature of engagements with Australian and Indonesian businesses interested in pursuing bilateral trade and investment opportunities raises risks that need to be managed appropriately. This, in turn, causes a trade-off as the risk management activity can raise its own issues, particularly the speed of decision-making and the sensitivities when communicating these decisions.

4 How Katalis has evolved

A Mid-term Review typically involves assessing program performance against expectations as described in the program’s design. Some designs require that the program logic and articulation of outcomes be validated in the early stages of implementation. This was not called for in Katalis’ design and even if it had, the necessary processes of consultation and socialisation would have been difficult to prosecute because of the outbreak of the COVID-19 pandemic. The MTR has therefore attempted to assess performance against the outcomes – End-Of Program and Intermediate – laid out in the program logic presented in the design. As discussed later in this report, the review team recommends that the logic be revised to reflect changes in the program and to enable useful monitoring and evaluation.

The program has significantly evolved since it began implementation. There have been several factors driving that evolution, including the need to address limitations in the original design, decisions made by the two Governments on how to proceed in certain outcome areas, changes in priorities and opportunities following the pandemic, and the fact that pathways and approaches outlined in the design were tried and found not to work. The changes in what the program is trying to achieve and how it pursues those objectives have significant implications for how this Review assesses program performance.

The following section describes how Katalis has evolved, examining actual or planned changes in modality, strategic framing, and ways of working in the outcome/breakthrough areas.

Key findings

- Katalis has evolved in several ways to be quite a different program from what was envisaged in the design.
 - Katalis’ work on supporting IA-CEPA implementation has, after completion of the Regulatory Gap Analysis which identified areas where actions were required for both governments to conform their policy and institutional arrangements with IA-CEPA commitments, focused principally on helping make progress on side letters to the Agreement.
 - Except for its work with the Grains Partnership, Katalis work on economic partnerships has evolved into working with individual, usually larger scale and well-resourced, businesses pursuing specific trade and investment opportunities.
 - Katalis work on skills remains broadly consistent with the design, but the program is supporting innovative delivery mechanisms and partnering arrangements that may not have been evident at the time of drafting the design.
 - Katalis has remedied the rather casual way in which GESI was incorporated in the design, to better reflect the importance of inclusion to Indonesia’s growth aspiration and the priority attached to GESI in Australia’s international development policy.
 - The Collaborative Hub model was replaced by the program delivering most outputs itself, with limited interaction with other programs.
- These changes reflect Katalis’ response to the evolving context and revealed expectations/preferences of key stakeholders. But, as discussed in later sections, this evolution has exposed limitations in the program logic because many of the intermediate and end-of-program outcomes as specified in the design are unachievable or no longer relate to what Katalis is actually doing. The program has proposed revisions to the logic in its draft MEL plan, but these revisions have not yet been accepted.

4.1 How Katalis’ approach across the breakthrough areas has changed

Katalis work across the three outcomes area has changed considerably compared to the expectations expressed in the design. Table 4 is a comparison of the key changes observed between the design and how Katalis currently operates.

Table 4: How Katalis work in the breakthrough areas has evolved since the design

Specifications from the investment design	How it is currently delivered by Katalis
Market Access	
<ul style="list-style-type: none"> • The implementation of IA-CEPA is a stated ‘core business’ of Katalis, and work in the market access area was expected to support legal and regulatory implementation of commitments on goods, services and investment under IA-CEPA, to catalyse increased trade and investment between Australia and Indonesia. The selection of commitments and legal and regulatory domains to be addressed by Katalis was to be informed by a Needs Assessment. 	<ul style="list-style-type: none"> • A Needs Assessment - called a Regulatory Gap Analysis (RGA) - was completed and shared with both governments. The RGA identified inconsistencies in each country’s regulatory environment with the commitments made under IA-CEPA and submitted to both GoI and the Australian Government. • Both governments agreed to first support focus on the IA-CEPA Side letters, with a significant focus on standards and mutual recognition arrangements (MRAs) – key results include the Engineering MRA and the comparative assessment of nursing standards.

Specifications from the investment design	How it is currently delivered by Katalis
<ul style="list-style-type: none"> In addition to the work on legal and regulatory change, work on market access would include three other work streams: Socialisation of the FTA by building awareness of the benefits and opportunities created by IA-CEPA Assessing the prospects and potential sectors for deeper engagement Evaluating the utilisation and impact of IA-CEPA in both directions. 	<ul style="list-style-type: none"> Katalis has undertaken an analysis of the utilisation of IA-CEPA tariff preferences. Engagement with Gol occurred through activity proposals: it seemed that there was limited substantive engagement with IA-CEPA committees/sub-committees/working groups. Bilateral opportunity assessments (BOAs) were undertaken to short-list key sectors for bilateral trade and investment in the long-term mutual interest of both countries. These BOAs have informed choices made under the Market Integration breakthrough area, and to a lesser extent choices made in the Skills breakthrough area.
Market Integration	
<ul style="list-style-type: none"> Integration would be achieved through fostering broader and deeper sectoral partnerships through dialogue, exchange and training. This would focus on sectoral and enterprise-level partnerships across agriculture, advanced manufacturing, and services. There would be an assessment of limitations to market integration through enhanced standards and conformance ecosystem. 	<ul style="list-style-type: none"> A significant focus of Katalis was helping individual businesses pursue trade and investment opportunities in Indonesia or Australia (as highlighted above). The number of sectors were further expanded to include health; agri-technology; finance; green energy; Professional, Telecommunications and ICT services; and the Creative Economy. While most of the above sectors were identified through the BOA analysis undertaken under Market Access, health was raised in prominence as a result of the COVID-19 pandemic and the creative economy was included at the request of Gol. Activities related to standards and conformance are undertaken under the 'Market Access' area.
Enhanced Skills	
<ul style="list-style-type: none"> Katalis would contribute to enhanced labour market skills by supporting greater partnering between the Indonesian industry and Australian TVET providers. It would convene Indonesian Industry Committees and IA-CEPA priority areas among others to identify major skills gaps and develop courses and innovative delivery models with the support of TVET experts. Katalis would also establish a TVET Clearing House to facilitate procurement and partnership between Indonesian Industry and Australian TVET providers. The intermediate outcome in the design pointed to improved systems and inclusive policies for developing and identifying labour market skills and requirements. The design also envisaged that the program would contribute to the reform of the Indonesian TVET sector. 	<ul style="list-style-type: none"> Katalis addressed the issue of identifying skill gaps through a joint study with Prospera rather than through extensive work with industry committees – which would in any case have been difficult during the pandemic. Katalis has focussed more on facilitating individual partnerships between large Indonesian online platforms) to deliver online training (mainly for micro-credentials) or for firm/sector-specific conventional skills delivery programs. Katalis has not engaged directly in policy or the reform of the Indonesian TVET sector, but its work in the online space may be facilitating systemic change within the sector. Overall, Katalis approach in the skills area is similar to its work on integration – focusing mainly on facilitating investments and partnering at the firm level.

The next few pages set out further details of how work in each breakthrough area currently operates in practice.

4.1.1 Market Access

The Market Access breakthrough area was expected to support the implementation of IA-CEPA (described as the 'core business' of Katalis in its design) with a focus on trade facilitative technical assistance to ensure benefits from the Agreement would be maximised for the mutual benefit of both countries. The work on implementation was considered necessary because 'IA-CEPA ratification does not itself ensure full and sustained implementation of the liberalising measures contained in the Agreement'. The design envisaged that Katalis would engage in liberalising regulatory initiatives linked to IA-CEPA and could involve direct regulatory design and drafting advice. The Market Access area was also expected to have workstreams dealing with:

- socialisation, to build awareness of IA-CEPA benefits and maintain support among industry groups through the multi-year implementation period – this was expected to involve technical advocacy, business dialogue and IA-CEPA localisation, where specific opportunities for provincial economies exist.
- opportunity assessments, which would examine which economic sectors presenting the greatest mutually beneficial prospects in the five to 20 years after the ratification of the Agreement, with a view to prioritising work in sectors offering 'powerhouse' opportunities.

- monitoring and evaluating IA-CEPA utilisation and impact on trade flows, and the broader contribution to economic and social outcomes.

A 'powerhouse' opportunity refers to a joint production model where Indonesia and Australia strengthen their linkages in complementary industries to increase trade to third-country and regional and global markets.

The design envisaged that Katalis would undertake several initial analytical activities that would inform work programming and engagement during the life of the investment. These included:

- a Needs Assessment for regulatory implementation of IA-CEPA. This would examine an appropriate modality for engagement between Australia and Indonesia on full implementation of key commitments on goods, services and investment commitments and broader commitments on a chapter-by-chapter basis.
- a set of Opportunity Assessments responding to sectoral priorities of both countries that demonstrate mutual benefit.

It was expected that IA-CEPA implementation would be both proactive and responsive, with a focus on the first three years, turning in years four and five to building momentum for a review of the Agreement and of prospects for deeper and commercially meaningful engagement.

Evolution since the design

Katalis delivered the initial analytical studies as follows:

- the Needs Assessment (referred to as a Regulatory Gap Analysis (RGA) during Katalis' implementation), which presented a thorough assessment of the alignment of Indonesian and Australian regulations and policies with the commitments made in IA-CEPA.
- a suite of reports arising from the work on bilateral opportunities, including a situational analysis extending beyond the three priority sectors presented in the investment design to identify focus industries with the greatest potential for catalytic business-to-business partnerships, around which a future Katalis workstreams could be built and four Bilateral Opportunity Assessments exploring opportunities in sectors identified for more detailed consideration: Agriculture and Agri-Tech, Finance, Green Energy and Professional, Telecommunications and ICT Services. The work involved extensive Government and business consultation to test the findings of the situational analysis.

The program also delivered several other significant pieces of analysis under the Market Access area, including:

- an analysis of the potential economic benefits from the liberalisations proposed in IA-CEPA, which included a gender-disaggregated assessment of the labour force benefits.
- an analysis of the utilisation of tariff preferences accorded to imports from each country under the Agreement.
- an assessment of the contribution of IA-CEPA (and Katalis' activities) to the Indonesian Mid-term Development Plan 2020-2024 (RPJMN).

After the RGA was presented to both governments, Katalis turned its attention to supporting work on side letters³ emerging from the work of the committees and working groups established under IA-CEPA. In addition, different GoI agencies have presented suggestions that have been curated by Bappenas and passed on to Katalis to consider an appropriate response.

As of the end of 2022, Bappenas received fourteen proposals from different agencies including the Ministry of Industry, the Ministry of Trade, the Ministry of Tourism and Creative Economy, and the National Standardisation Agency. Bappenas passed twelve of these to Katalis for further development, while two were given the decision of 'revise proposal/don't progress'. The key comments given were that the proposals needed to provide more information on how they can be relevant or beneficial to Australia⁴.

Annex D presents information on the side-letters and Katalis' work to progress their intent. Besides the original side letter on Economic Cooperation, which identified nine priority areas, there have been side letters on mutual recognition of professional engineers, improving health professional standards and access to health services, and technical and vocational training. There has also been a memorandum of understanding (MoU) to establish a skills exchange project. As the annex shows, Katalis has engaged with the content of these side letters in workstreams under the three breakthrough areas. Under the Market Access area, progress has been made on alignment and mutual recognition of standard and professional qualifications relevant to the IA-CEPA chapters on Trade in Services and Technical Barriers to Trade.

In addition to engagement with various GoI ministries and agencies, Katalis has engaged with the various committees and structures of IA-CEPA (other than the Economic Cooperation Committee (ECC) that governs it). Anecdotally, this was met with varying degrees of success depending on the degree of engagement of those

³ Less-than-treaty status arrangements that cover specific issues not fully covered in the main agreement between parties.

⁴ Five Additional proposal of activities for IA-CEPA 2023 Annual Work Plan, 21 December 2022, Bappenas

committees. However, except in the case of the IA-CEPA Trade in Services committee, the Review gained the impression that substantive work with committees was limited (including limited engagements during committee meetings). It was also informed that some committees had yet to be convened.

Some committees, such as IA-CEPA Trade in Services committee, are highly active and a recent example of its work with Katalis includes the survey for the Review of the IA-CEPA Skills Development Exchange Pilot Project. The pilot provides an opportunity for businesses in Australia or Indonesia to send people with tertiary skills and qualifications in three target sectors to work for up to six months. The survey by Katalis supported the committee through the provision of evidence-based recommendations for improvement.

Despite the scaling back of follow-up work on the RGA, Katalis has continued with analytical work relating to the implementation of IA-CEPA commitments, including regulatory changes and preparation of briefing notes on the GESI implications of the RGA's findings and the local content requirements associated with IA-CEPA.

4.1.2 Market Integration

The design envisaged that Katalis would facilitate a step-change in the bilateral economic relationship by facilitating a closer engagement and deeper integration between the two countries' private sectors. Better market integration was to be 'principally achieved through fostering broader and deeper sectoral activities, including dialogue, exchange, training and research in agriculture, advanced manufacturing, and services'. It was also envisaged that cross-cutting limitations on better-integrated markets, such as different standards and conformance and corporate governance, would be assessed for better alignment to support trade and investment and promote sectoral collaboration to identify and reduce impediments to trade.

Katalis was expected to develop economic partnerships across several sectors with the intention that the engaged industry would drive and invest in identified commercial opportunities once viable partnerships are established. The design identified a Grains Partnership, based on industry consultation in both countries, as the first of an expected suite of Agri-food partnerships to be supported by the program.

Evolution since the design

In practice, Katalis has worked mainly with *individual* businesses (referred to as beneficiaries) to support specific trade and investment initiatives in Indonesia and/or Australia, rather than promoting partnerships at the sectoral level. Katalis has done so through co-funding with the beneficiary activities that would advance these initiatives. These activities have typically involved the provision of an analytical service (e.g. feasibility studies or market entry strategies) through an external advisor.

This shift in approach may reflect both the lack of interest in other Australian and Indonesian agri-industry associations and sectoral development agencies and the fact that outside of agriculture, industry structures are more individualised and less commoditised, making it harder to identify sector-level interest in promoting partnerships between the two countries. The change in focus also reflects how Katalis has responded to the signals coming from government stakeholders from both countries and the opportunities that Katalis' analytical work has identified. (This said, Katalis has engaged closely with umbrella business associations such as the Indonesian Chamber of Commerce and Industry (KADIN), the Indonesia-Australia Business Council (IABC) and the Australia-Indonesia Business Council (AIBC)).

Katalis has also explicitly chosen to work with large businesses on high-profile activities. Choosing large businesses with extensive value chains is expected to extend benefits to suppliers and buyers across business ecosystems, including SMEs (a sector of considerable strategic interest to Gol). Focusing on high-profile activities is expected to have a demonstration effect on the mutually beneficial trade and investment opportunities enabled by IA-CEPA.

Katalis developed a strategic approach to identifying opportunities to engage with businesses to pursue trade and investment opportunities in priority sectors. Figure 1 summarises this approach.

Figure 1: Overview of Katalis' approach to identifying and engaging with businesses to drive trade and investment opportunities

	Sector Focusing	Business Engagement	Beneficiary activity development
	Using analytics and consultations to identify key target areas for market integration	Engagement with businesses in Indonesia and Australia to identify prospective opportunities and economic partners	Collaborate with prospective businesses to advance their ideas on activities between Katalis and the business
How it was undertaken	<ul style="list-style-type: none"> As specified in its design, Katalis would initially focus on agrifood, digital services, skills and advanced manufacturing. Following the COVID-19 pandemic, health was also included as a sector. Further strategic analysis was made through bilateral opportunity assessments (BOA) which are comprised of a situational analysis and sector specific BOAs. The situational analysis in a desktop-based analysis which shortlisted 15 sectors. The sector specific BOAs involved engagement with the Government of Indonesia and Australia, and businesses to further short-listed to five sectors. 	<ul style="list-style-type: none"> Katalis has set out a business engagement strategy with a framework that spans from broad to targeted engagements with businesses: <ul style="list-style-type: none"> Awareness raising through mass media, conference attendance and through thought leadership (e.g. market insights) in target sectors. An online business portal for businesses to submit ideas to Katalis. Referrals to Katalis through governments of Australia or Indonesia or by their implementation partners. Direct proactive engagement by Katalis with business in target sectors. 	<ul style="list-style-type: none"> This is further made up of 5 distinct phases: <ul style="list-style-type: none"> Beneficiary activity concept identification and development Beneficiary activity proposal development Procurement Implementation Results assessment Once deemed appropriate, Katalis would fund specifically agreed upon activities (e.g. market feasibility studies or market entry strategy) to advance business' pursuit of a trade/investment opportunity. The development of activity proposals may be delivered by Katalis or a third party implementation partner.
Features	<ul style="list-style-type: none"> The situational analysis would focus on the economic and trade/investment potential of each sector as well as the extent to which each sectors employed women. The BOAs would also present the assessment of each short-listed sector against Katalis' investment criteria. The sector specific BOAs would set out opportunities to engage with businesses in the sector, either as broad engagements to increase market access or to support individual business' trade or investment initiatives. 	<ul style="list-style-type: none"> The investment criteria drive the strategy by supporting the program to quickly qualify opportunities as 'go' or 'no-go'. The target sectors were informed through the four identified sectors from the BOAs. There was an emphasises focus on targeting of large businesses as the most efficient way to maximise program resources, this is also informed by the view that micro, small and medium enterprises (MSMEs) can be engaged through the business' value chain should the opportunity be advanced into a genuine economic partnership. 	<ul style="list-style-type: none"> The proposal development stage represents a key milestone, however, there has been increasing attention made to the concept note. Each activity proposals is required to fully articulate how it meets Katalis' investment criteria. This is undertaken on a qualitative basis. The activity proposals themselves serve as demonstrations for future partners and contribute towards the programs business engagement.
Results	<ul style="list-style-type: none"> As a result of the BOAs, 5 sectors were short-listed including Agriculture and agri-technology; Finance; Green Energy; Professional, Telecommunications and ICT services; and the Creative Economy at the request of the Government of Indonesia. Katalis would focus on a total of 10 sectors including its original focus areas and the BOAs findings. 	<ul style="list-style-type: none"> Businesses advanced into the next stage where an activity proposal is developed in detail. 	<ul style="list-style-type: none"> As of the preparation of this Review, 14 activities have advanced past activity proposal development and are in various stages of progress. Only 3 had been completed and are currently being evaluated by Katalis.

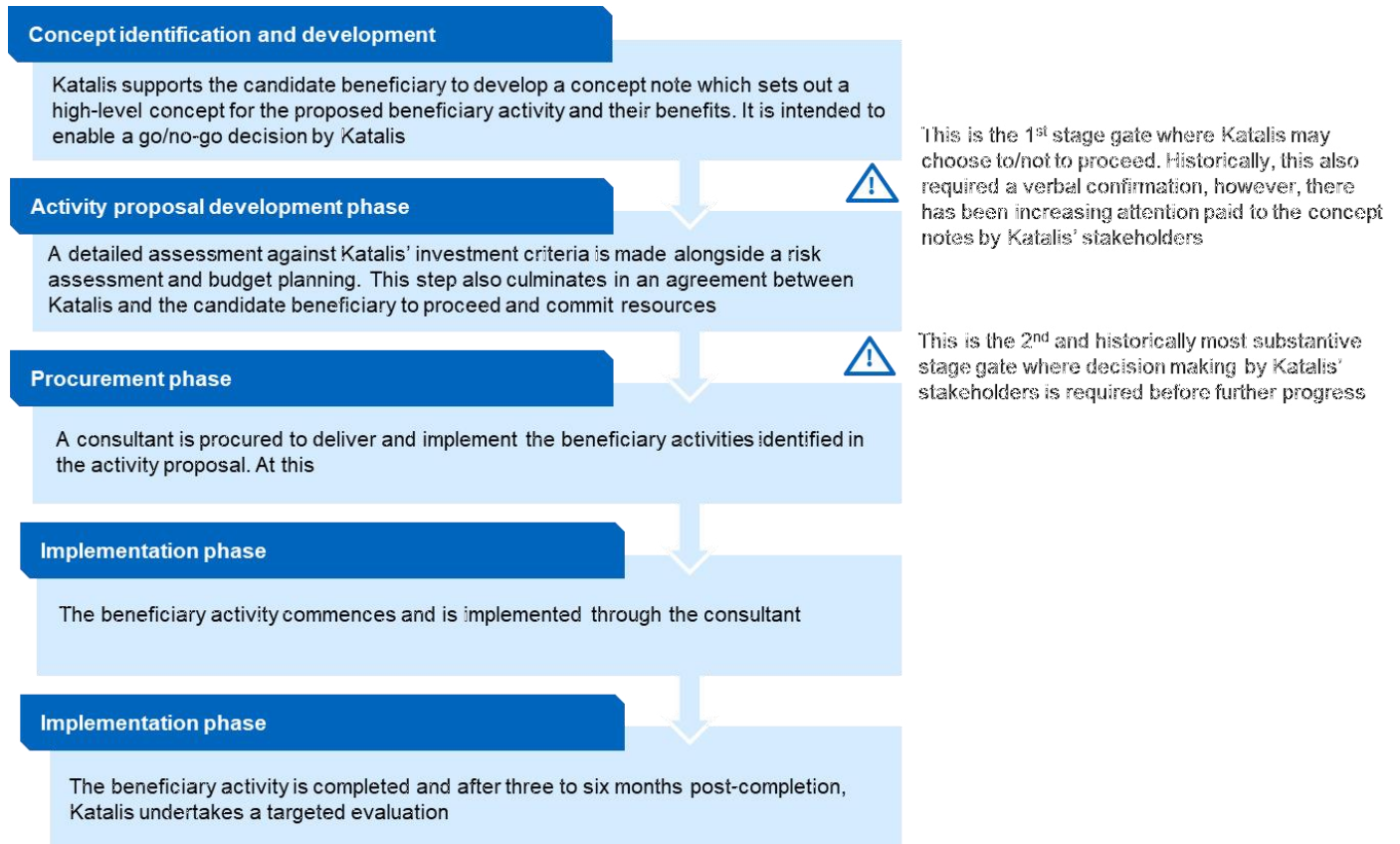
Katalis' process establishes a pipeline of opportunities from which the program would identify to the most viable candidates for activity development

Source: Developed by the Mid-term Review based on discussions and data requests to Katalis, BOA reports and the Katalis business engagement strategy.

While presented as a linear sequence, in reality, the sector-focusing stage was conducted once in the early years of Katalis, whereas business engagements and the development of beneficiary activities remain an ongoing and sometimes circular process (completed activities themselves become exemplars to highlight and illustrate how Katalis can support businesses during their roadshows and presentations).

The beneficiary activity development stage is itself made up of five distinct phases. These are further detailed in Figure 2.

Figure 2: Overview of Katalis’ business activity development phases



Source: Adapted from a data request to Katalis for the Mid-term Review

At the time of this Mid-term Review, nine beneficiary activities had been identified and advanced to the point where Katalis had committed to co-funding between 18% and 60% of the total for all beneficiary activities (some beneficiaries would commit to a lower and upper amount of investment). Three of these activities are now ‘completed’ with some being evaluated by Katalis. Completion refers to the conclusion of Katalis’ activities with the business beneficiary, with the realisation of a commercial outcome resulting from that activity being a separate consideration.

Table 5 lists the nine beneficiary activities that were completed or underway by the time of the Review.

Table 5: Beneficiary activities under the Market Integration breakthrough area

Activity	Status
Accelerating grid-scale battery manufacturing and integration in Indonesia for energy reliability, transition, and supply into Electric Vehicle (EV) charging networks	Completed
Accelerating mangosteen and mango exports to Australia and/or third markets from East Java through an approved irradiation facility	In progress
Exploring Indonesia - Australia fintech opportunities for the two-wheel EV market	In progress
Facilitating the entry of an Indonesian digital identity verification service into the Australian market	Completed
Grains Value Chain Leadership Program	In progress
Medical tourism – Sanur Regenerative Health Clinic	In progress
Moving up the cocoa value chain and expanding premium cocoa exports to Australia	In progress
Online Learning Program in Grain Technology and Mill Processing for Indonesian Flour Mills	In progress

Activity	Status
West Java Greenfield Hospital Development (WHIP)	Completed

As reported in the recent six-month progress report (January to June 2023), in addition to the nine activities presented in Table 5, there were seven opportunities in the activity proposal development phase. This illustrates a pipeline of activity ahead for Katalis.

Not all identified opportunities progress to activity development; however, candidate businesses associated with these opportunities are not precluded from future engagement, and Katalis may encourage them to consider their ideas for further discussion.

Application of the investment criteria to select businesses for further engagement

Katalis invests significant effort in co-developing a beneficiary activity proposal with a candidate business. It is during this activity proposal process that Katalis aligns the beneficiary activity against its investment criteria, which is the mechanism to ensure that the funded activity aligns with Katalis' priorities and is, therefore, appropriate for the program's involvement.

In practice, the development of the proposal is an iterative process that involves collaboration and ongoing discussion with the candidate beneficiary to refine the idea and to agree on funding agreements and responsibilities.

Katalis has revised the criteria presented in the original design to include a criterion related to gender equality and social inclusion (GESI) (see below). There are now seven criteria that are applied qualitatively i.e. there is no scoring mechanism to enable a comparison between proposals nor a mechanism to allow trade-offs between each criterion⁵. Katalis works closely with each beneficiary to address each criterion and the questions for consideration for each of them, see Table 6.

Table 6: Details of Katalis' investment criteria

Katalis investment criteria	Consideration questions
Maximise outcomes from IA-CEPA	<ul style="list-style-type: none"> • What commercial outcomes is the activity expected to deliver? • What is the business case for the activity? • What is the potential return on investment (ROI)?
Includes financial or in-kind contribution from the beneficiary or beneficiaries	<ul style="list-style-type: none"> • Does the activity include financial or in-kind co-contribution? (This increases ownership of the activity, ensures the activity is a real partnership between business and Katalis and improves the likelihood that the activity will deliver sustainable outcomes)
Mutually beneficial to Indonesia and Australia and aligned with bilateral and/or regional interests.	<ul style="list-style-type: none"> • Does the activity support 'win-win' bilateral commercial opportunities? • Are the direct and indirect beneficiaries in Indonesia or Australia? • What broader economic, social or public benefit (if any) is expected beyond the commercial outcomes identified? • How does the activity increase bilateral and/or regional growth and prosperity? (This picks up the idea of IA-CEPA delivering powerhouse opportunities, whereby the imports of one partner are used to strengthen the export competitiveness of the other partner).
Prioritises catalytic outcomes	<ul style="list-style-type: none"> • Is the activity scalable? • Does it crowd in other investors or traders from the sector or related value chains?
Delivers gender equity and social inclusion	<ul style="list-style-type: none"> • Does the activity target, include or make a positive impact on women, people with disabilities or other marginalised groups – particularly in sectors heavily affected by COVID-19?
Politically feasible and practical	<ul style="list-style-type: none"> • Is the activity-dependent upon large policy or regulatory reform under IA-CEPA? • If so, is the change politically feasible or practical?
Reflects Indonesia and Australia's comparative advantage	<ul style="list-style-type: none"> • What resources (e.g., human, industry, commercial, organisational, management, institutional) from each country does the activity draw on?

Source: Katalis Engaging with Business: A strategy for Katalis, November 2021

⁵ Although for proposals submitted through the business portal, Katalis does employ a scoring system to determine whether the program should engage further with the proponent.

While the investment criteria present a consistent structure to appraise each opportunity, in practice, however, there are some observable differences between how the criteria are applied. Table 7 provides this Review’s assessment of how the criteria were applied in practice to the four completed beneficiary activities. Note that the fourth beneficiary activity was delivered under the Enhanced Skills breakthrough area (Sustainable Tourism Destination Standard and Training – Pilot Project, TanaMori, Labuan Bajo).

Table 7: Summary of the application of the investment criteria for the four completed beneficiary activities

Katalis investment criteria	How it is applied in practice
<p>Maximise outcomes from IA-CEPA</p>	<ul style="list-style-type: none"> • Discussion on commercial outcomes includes: <ul style="list-style-type: none"> – Leveraging of further investment from the beneficiary – The ability for the beneficiary to follow through with their planned commercial activity e.g. market entry into Australia – In some instances, a description of the flow of economic/commercial benefits to the supply chain. • The business cases for the activities typically focus on further detailing the case for the commercial activity and not necessarily the need for Katalis’ involvement. This section includes statements of a market need that the beneficiary’s product/service would fulfil (e.g. Australia’s paper-based business sector would benefit from the digitisation services of one of the beneficiaries). In other cases, there would be a re-iteration of the opportunity. • Discussions of ROI would quantify the returns, and in most cases, the returns are typically the further investment from the beneficiary as they follow through with their intended commercial activity e.g. WHIP will invest AUD120 million to build two private hospitals.
<p>Includes financial or in-kind contribution from the beneficiary or beneficiaries</p>	<ul style="list-style-type: none"> • This section discusses the co-investment from the beneficiaries, of which the four completed activities generally show a sizeable co-investment amount relative to Katalis’ contribution with the largest being up to AUD5 million investment relative to Katalis’ AUD300,000. • A discussion of value for money would restate the leveraging of further investment but in some instances, would describe other benefits, such as the public diplomacy benefits from a sustainable tourism development activity. • The discussion of the overall activity’s impact and scale of benefits is largely qualitative and includes a description of improving market integration, scaling operations into a broader market or restating the commercial case.
<p>Mutually beneficial to Indonesia and Australia and aligned with bilateral and/or regional interests.</p>	<ul style="list-style-type: none"> • This section would articulate the respective benefits each country would gain, such as the benefit from the commercial activity (e.g., grid stability through the grid-scale storage manufacturing activity) or employment or contracting of local suppliers. In other cases, the opposite country would benefit from the ability to participate in and deliver services (e.g., providing training for TanaMori) towards the activity. • A discussion of broader social and economic benefits typically includes qualitative descriptions that include employment opportunities (resulting from the commercial activity) or that are specific to the activity, e.g., the stability of the energy grid.
<p>Prioritises catalytic outcomes</p>	<ul style="list-style-type: none"> • The discussion of scalability focuses on scalability for the beneficiary’s commercial activities e.g. the expansion of WHIP from two to 21 hospitals should the former prove successful. • The discussion of crowding-in is variable and includes descriptions of multiplier effects that benefit the broader supply chain, the potential to attract investment, a general description of building partnership and trust or a reiteration of the business case.
<p>Delivers gender equity and social inclusion</p>	<ul style="list-style-type: none"> • A discussion of the benefits of GESI can include: <ul style="list-style-type: none"> – how the commercial activity would operate in an industry that is a majority employer of women (health and tourism) and, therefore, any generated employment opportunities are beneficial to women. – how the commercial activity may stand to benefit women, such as hospitals having the potential to provide access to services for women, though only one activity would clearly describe how it would approach women’s economic empowerment (TanaMori). – generalised statements of how issues (such as energy insecurity or digital identity) affect marginalised groups and, therefore, the commercial activities are implied to be a benefit.
<p>Politically feasible and practical</p>	<ul style="list-style-type: none"> • The discussion of feasibility and practicality generally centres on how an activity benefits from the passing of recent legislation and in one case, how proposed legislative amendments provide opportunity for a beneficiary.

Katalis investment criteria	How it is applied in practice
	<ul style="list-style-type: none"> Only one activity (TanaMori) clearly describes the linkage to and description of how IA-CEPA has enabled the opportunity but also how the opportunity itself advances the Agreement through alignment to its side letter on economic cooperation.
Reflects Indonesia and Australia's comparative advantage	<ul style="list-style-type: none"> This discusses the advantages that each country would bring, such as specialist capabilities but also the maturity of one or the other's market or market potential.

Source: Katalis Activity Proposals for the four completed beneficiary activities

The variability of the application of the investment criteria reflects the highly individualised nature of each activity proposal. While the repetition of certain points is not inherently an issue, it may indicate that there needs to be further refinement to the consideration questions to enable more rounded assessments to be made.

Consultations with stakeholders during this Mid-term Review have revealed concerns around:

- the broader public benefit gained from investments to enable an individual commercial entity to access the Indonesian/Australian market.
- whether an activity “would have happened anyway”, referring to the commercial activity advancing regardless of Katalis’ involvement.
- a need to link the activity back to IA-CEPA.

The Review acknowledges that the investment criteria do include considerations for broader social, economic and GESI benefits, however, in many cases, these largely describe a potential benefit further downstream from the realisation of the commercial activity.

The Review also notes that the application of the investment criteria and the activity proposal development process has evolved throughout Katalis’ implementation, where refinements to the activity proposal template and surrounding processes were continuously made. The description of this process made as part of this report represents a point-in-time observation as Katalis continues to evolve and adapt its approach. We understand that one of Katalis’ priorities is a more detailed mapping of the beneficiary activity development process in and of itself.

4.1.3 Enhanced Skills

The Enhanced Skills outcome area (now known as the Skills for Recovery breakthrough area) was expected to ‘enhance Indonesia’s labour market skills through catalysing partnerships that bring Indonesian firms together with Australia’s high-quality Technical Vocational Education and Training (TVET) sector providers. It aims to develop enhanced labour market skills for targeted Indonesian businesses and government, boosting productivity, gender equality and social inclusion.

Katalis was expected to convene Indonesian Industry Committees in priority sectors to identify major sectoral skill gaps, develop courses, and identify innovative delivery models for training with the support of TVET experts funded by the program. Katalis was also expected to establish a TVET Clearinghouse to facilitate procurement and partnership between Indonesian industry and TVET providers.

The program logic presented in the design envisaged that Katalis would help deliver improved systems and inclusive policies for developing and identifying labour market skills and requirements and contribute to structural reform of the Indonesian TVET sector.

Evolution since the design

The skills area has probably changed less than the other two outcome areas. It proved difficult during COVID to engage with industry committees, so Katalis undertook a joint analytical study with Prospera to identify skill gaps in priority sectors. It has been working to establish and populate the clearinghouse, now called the Indonesia-Australia Skills Exchange (IASE) Platform and learning from the uptake of the use of online services during the pandemic, has concentrated effort on facilitating the formation of commercial relationships between Indonesian digital platforms and Australian Registered Training Organisations (RTOs) to provide online training delivering micro-credentials. It has also worked to build large-scale commercial skills partnerships with specific businesses. While Katalis’ activities are trialling innovative ways to identify demand for and provide responsive commercial approaches to meeting needs in one part of the Indonesian market for TVET, it is not explicitly working to change the overall Indonesian TVET system.

4.2 How the approach to GESI has changed

While the design proposed that closing the gender equality gap and supporting greater inclusion in Indonesia and Australia would be integrated throughout the program, in practice, the program logic accorded GESI a relatively low priority, with only one intermediate outcome directly referring to inclusion (under the Enhanced Skills EOPO).

PO), and somewhat limited targeting of GESI in suggested activities and performance indicators. There was no consideration of GESI in the investment criteria as presented in the design. Further, the design proposed a very modest approach to disability inclusion.

Evolution since the design

Since implementation began, the program has revisited the way it engages with GESI, reflecting the high priority accorded in Australia's development policies, and the critical role that inclusion and gender equality can and should play in the achievement of Indonesia's economic growth objectives.

The program has:

- Adopted a three-prong approach to integrating GESI across all EOPOs/breakthrough areas consisting of targeted initiatives, mainstreaming in activities and intersecting/scaling initiatives by working with other programs where priorities intersect and resources are available to maximise GESI and disability inclusion impact.
- Developed a set of comprehensive guidelines to ensure that GESI considerations are fully embedded within the fabric of its operations and projects, including a GESI and Safeguards Guidance note and Toolkit and a disability inclusion strategy.
 - The Toolkit requires that the program focus on investing in industries with high female participation, potential for increased female participation and those that provide opportunities for workers with disabilities to participate, such as the digital economy and healthcare.
- Amended the Investment Criteria for activity selection to include a criterion requiring that supported activities deliver gender equity and social inclusion, including making a positive impact on people with disabilities.

Katalis has made considerable effort to embed GESI analysis into its Market Access analytical work, seek out Market Integration initiatives with a high potential for GESI impact, and develop skills enhancement opportunities that will explicitly benefit women and people living with disabilities. Annex E presents detailed information on how GESI has been addressed in activities in each breakthrough area.

4.3 Modality and delivery approach

As indicated in Section 3, Katalis was envisaged to be delivered as a Collaborative Hub, working mainly to intermediate demands for cooperation activities and the existing DFAT programs working in relevant areas. With some exceptions, this is not the way that Katalis is now working, as it undertakes delivery of most cooperation activities itself, mainly through contracting service suppliers or members of the contracting consortium to undertake work to terms of reference developed by Katalis' core teams.

The exceptions are:

- Prospera – a decision was made to embed Katalis within the delivery structures for Prospera, with the new program sharing a range of operational services provided by the long-established program. Katalis has also taken advantage of the analytical and other capabilities of the Prospera team.
- Austrade and DAFF – Katalis has collaborated with both Government of Australia agencies in specific activities and instigated regular information sharing sessions with Austrade.
- Australia Awards Indonesia – Katalis has collaborated with Australia Awards to deliver specific training courses.
- Investing in Women – Katalis has worked with Investing in Women to deliver some purpose-made activities dealing with women's business leadership.

Bringing activities in-house appears to have enabled a more flexible and efficient method of delivering activities – and reflects the fact that collaboration across separate programs is quite difficult to achieve unless (and often even if) contractual arrangements and institutional mandates incentivise such collaboration.

4.4 Implications for monitoring and evaluation and the program logic

The program's evolution, changes in context, and lessons learned from the first years of implementation posed challenges for developing an effective framework and plan for monitoring and evaluating performance.

Some of the outcomes specified in the original design are no longer relevant or worded in a way that reflects what the program is actually doing or can be expected to achieve. Further, the program clearly pursues important developmental priorities, particularly concerning inclusion, that were not given appropriate weight in the original specification of outcomes and approach to M&E. To enable a useful evaluation of program performance, this review recommends that the program logic be revisited urgently so that the program can gather information and undertake analyses that can provide meaningful information on achievements and performance.

5 Relevance to Indonesian and Australian priorities

This section presents information on the strategic context surrounding Katalis and explores how the program aligns with those priorities.

Key findings

- IA-CEPA and, by association, Katalis are strongly aligned in principle with the Australian Government and the GoI's formally expressed priorities.
- Elements of Katalis' work, especially its engagement with the business communities of both countries, are in strong alignment with the economic partnership objectives of the Comprehensive Strategic Partnership.
- Katalis is broadly in alignment with Australia's new International Development Policy but should upgrade its treatment of GESI and disability inclusion in its specification of outcomes.

5.1 Katalis meets a specific requirement of IA-CEPA

Australia and Indonesia spent nearly nine years negotiating IA-CEPA. Therefore, the implementation of the Agreement, facilitating the utilisation of the enhanced market access it provides, and ensuring regulatory alignment are strategic and economic priorities for both countries. The work plan for the Comprehensive Strategic Partnership between Australia and Indonesia, declared in 2018, emphasises that the implementation of IA-CEPA plays a central role in supporting deeper economic integration and boosting bilateral links in trade, tourism, investment and the movement of people, as well as facilitating bilateral cooperation in areas including education, health and e-commerce. The partnership statement expresses a joint commitment to support strengthening links between the business communities of both countries. The Economic Cooperation chapter of IA-CEPA lays out the expectations of both parties regarding the focus and modus operandi of cooperation under the Agreement, notably, the chapter says:

Economic cooperation under this Chapter shall be built upon a common understanding between the Parties to support the implementation of this Agreement, with the objective of maximising its benefits, supporting pathways to trade and investment facilitation, and further improving market access and openness to contribute to the sustainable inclusive economic growth and prosperity of the Parties.

The chapter also states that:

Economic cooperation under this Chapter shall support the effectiveness and efficiency of the implementation and utilisation of this Agreement through activities that relate to trade and investment as specified in the Annual Work Program.

Katalis and its outcome areas align strongly with the intent expressed in the chapter.

Most recently, a joint communique issued by the Indonesian and Australian heads of state, President Joko Widodo and Prime Minister Anthony Albanese, after their 2023 Annual Leaders' Meeting made clear the importance of Katalis to both governments, stating the following:

Leaders recognised solid progress to deepening trade and investment ties under IA-CEPA and reaffirmed the commitment to implement the Agreement in full. Leaders noted the important work of the Katalis Economic Cooperation Program, which is maximising the mutual benefits of IA-CEPA⁶

5.2 The evolving strategic context

Since the ratification of the Agreement and Katalis' commencement late in 2020, there have been significant developments in the geostrategic context for the economic partnership between Australia and Indonesia and in the articulation of priorities for economic development (Indonesia) and international development assistance (Australia).

These were shaped by major developments in global trends and events. The COVID-19 pandemic saw a concentration of policy focus on dealing with the pandemic and its social and economic consequences. It highlighted the need to build stronger health system capabilities and to consider ways of bolstering economic and community resilience. The Russian invasion of Ukraine and its impact on energy and palm oil (a substitute for sunflower oils) markets and global value chains has prompted both governments (and businesses in both

⁶ [Joint communique - Australia-Indonesia Annual Leaders' Meeting | Prime Minister of Australia \(pm.gov.au\)](#)

countries) to reassess approaches to economic resilience and security. Nevertheless, both countries have restated their commitment to preserving the international rules-based order around international trade and investment.

Indonesia's Medium-term Development Plan (*Rencana Pembangunan Jangka Menengah - RPJMN*) lays out the country's national priorities for the period of 2020-2024. It identifies seven national priorities and 37 government programs targeting the pursuit of these priorities.

Australia has identified areas of potential for economic engagement with Indonesia in the Blueprint for Trade and Investment with Indonesia (the Blueprint) published in 2021, and the more recent 'Invested: Australia's Southeast Asian Economic Strategy to 2040' (the Strategy) published in 2023 reinforces many of the messages of the Blueprint and proposes a more commercially oriented role for the Australian government in achieving greater trade and investment between Australia and the countries of Southeast Asia. This Strategy also has a range of general recommendations to boost economic engagement between Australia and Southeast Asia, and the Australian Government has recently announced a number of initiatives in the wake of the Strategy, which may have important implications for any consideration of a next stage of Katalis (see section 9).

Both countries have continued to emphasise the centrality of the Association of Southeast Asian Nations (ASEAN) framework for regional cooperation and integration.

Australia has also recently published a new International Development Policy, which identifies ambitious targets and actions on climate change and reaffirms the centrality of gender equality, disability and social inclusion Australia's foreign policy.

5.3 Alignment to Indonesia's priorities

Katalis has been working on an analysis of the program's contribution to Indonesia's medium-term development Plan. It shows how IA-CEPA and Katalis are contributing to five of the Plan's seven national priorities and the national programs associated with them. The national priorities targeted by the Agreement and Katalis are:

- PN1: Strengthening economic resilience for quality economic growth.
- PN2: Develop the regions to reduce inequality and ensure equity.
- PN3: Increasing the quality and competitiveness of human resources.
- PN5: Strengthening infrastructure to support economic development and basic services.
- PN7: Building the environment, increasing disaster resilience and managing climate change.

Gol has been introducing some key policy and regulatory reforms designed to assist in the pursuit of the country's development goals, most notably the Omnibus Law on Job Creation enacted in 2020, which aims to boost economic competitiveness and create jobs through labour market and investment reforms.

5.4 Alignment to Australia's priorities

The Blueprint spells out the reasons for adopting a 'Team Australia' approach as part of broader government and business efforts to produce some early successes from IA-CEPA and reinvigorate the commercial relationship between the two countries. This locates IA-CEPA and by inference Katalis at the centre of Australia's strategy for engagement with Indonesia. The Blueprint reinforces the selection of priority sectors with which Katalis is engaging including health, education skills and training, agriculture and food, and resources and energy services, which are also emphasised by the Invested: Australia's Southeast Asian Economic Strategy to 2040.

The directions that Katalis has been taking under the Market Integration breakthrough area seem strongly consistent with the commercial engagement approaches outlined in the Blueprint and the Strategy. DFAT (and Gol) will need to consider any implications for Katalis following the implementation of the Strategy.

Katalis' enhanced focus on GESI is also in strong alignment with the new International Development Strategy. However, the program has neither an EOPO nor an IO focusing specifically on GESI and disability inclusion, which is a standard DFAT requirement for all new designs.

6 Effectiveness

This section addresses the priority evaluation question – what evidence is there that Katalis can achieve the intermediate and End of Program Outcomes? It discusses issues concerning the specification of outcomes in the program logic in the original design, the approach the program takes to identifying activities to achieve outcomes, how it engages with GESI, how it contributed to DFAT’s response to the COVID-19 pandemic and the prospects that its achievements are sustainable.

Key findings

It is not useful to attempt to evaluate the extent to which Katalis is achieving the objectives specified in the original design as they were never achievable for a five-year program and because decisions were made to shift Katalis’ work away from its ‘core business’ as envisaged in the original design. However, the program is making a valuable contribution to the overarching goal of the program consistent with the spirit and intent of IA-CEPA.

- Katalis cannot realistically be expected to bring about the ‘efficient and effective’ implementation of IA-CEPA’s commitments without strong political and institutional support. In fact, all it can do is support both governments and the structures put in place for the Agreement to implement it. Katalis has, however, been making useful contributions with respect to the implementation of side letters to the Agreement, as well as identifying opportunities for individual businesses to increase their participation in bilateral trade and investment. Ultimately, without being able to influence the implementation of IA-CEPA directly, Katalis will be limited in its ability to strengthen two-way trade and investment between Indonesia and Australia.
- Katalis has been successful in helping Australian and Indonesian businesses investigate and, in some cases, pursue opportunities for trade and investment. With some important exceptions (particularly in the skills area), it is difficult to determine how much of a ‘catalytic’ role Katalis has had towards forming economic partnerships, and there is limited evidence to date that its activities have brought about systemic changes in either country’s markets. That said, Katalis appears well regarded as a ‘strategic partner’ by many of the businesses it has worked with.
- Katalis has played a useful role in progressing the Economic Recovery priorities of DFAT’s Indonesia COVID-19 Development Response Plan.
- Katalis has pivoted strongly to build frameworks to deliver GESI objectives across all parts of its program. Still, work is required to ensure full implementation across all activities, and it is too early to identify significant impacts. It would be important to include an explicit, stand-alone GESI and disability inclusion outcome into the program logic so that Katalis MEL work is mandated to consider GESI achievements across the whole portfolio of activities.
- Katalis is trialling and delivering innovative training models that involve brokering partnerships between Australian providers and Indonesian businesses facilitated through a digital platform. The models are designed to explore and respond to demand and offer an alternative to more conventional supply-driven approaches to TVET. So, while it is not directly addressing the broader Indonesian skills development system and associated policies and institutions, Katalis is demonstrating that a commercial, online approach to the provision of certain kinds of skills is viable, as demonstrated by the demand for participation by providers and businesses. At this stage of the program, however, there is no observable evidence of the impact of the initiatives on the skills.

6.1 Factors bearing on effectiveness

The OECD’s Development Assistance Committee defines effectiveness as:

The extent to which a given development intervention’s objectives were achieved, or are expected to be achieved, taking into account their relative importance⁷.

Evaluating the extent to which Katalis is achieving the objectives laid out in the original design is difficult. This is in part because of how the objectives have been specified – they do not reflect a realistic appreciation of the probability of achieving tangible results in five years. It is also because the focus of the program has shifted in light of experience, global changes and in response to signals from stakeholder agencies and the program’s governance structures.

The Review has identified four key factors that have impacted Katalis’ ability to achieve its intended outcomes:

- the feasibility of the originally specified outcomes themselves.
- the impact of the COVID-19 pandemic on the implementation of the program and also on the prioritisation of areas of engagement.
- decisions made by government stakeholders as to the direction and focus of the program’s work.
- the range of expectations stakeholders have about what the program can and is meant to achieve.

⁷ OECD. 2010. Glossary of Key Terms In Evaluation And Results Based Management, <https://www.oecd.org/dac/evaluation/2574804.pdf>

Outcome specifications. As discussed at various points in this report, the specification of program outcomes in the original design was insufficiently calibrated to what Katalis might reasonably be expected to achieve in five years or insufficiently characterised in a way that progress could reasonably be assessed.

- For Market Access, the task of conforming Indonesian policy and regulations to IA-CEPA commitments was always known to be challenging, as the RGA made very clear. Responsibility for implementation lies with both governments, and not with Katalis, which can only provide support where this is called for. So, making significant progress in improving market access is not within Katalis' control, and the EOPO specification for greater access by 2025 was not consistent with this situation.

For Market Integration, the characterisation of 'better-integrated markets' does not easily lend itself to a clear concept for assessment (although the draft MEL plan does work through the issue to suggest measurable dimensions of the concept).

- For Skills, a specification relating to 'enhanced labour market skills by 2025 again underestimated the time and effort likely to be needed to make identifiable changes in skills.
- The design's treatment of GESI was out of sync with the priority that DFAT places on gender equality and inclusion, even before the new International Development Policy heightened its importance for Australia's development assistance.

The issue of what can reasonably be expected of Katalis has resulted in this Review observing varying levels of expectations around outcomes, in particular as it pertains to the program's engagement with businesses. As outcomes (in particular related to its engagement with businesses) have not been appropriately specified, different stakeholders have developed different views about what the program should be doing and what comprises success for its activities. This issue is explored in more detail below.

COVID-19. Shortly after the program started, the COVID-19 pandemic created major public health challenges in Indonesia. It led to major dislocations as travel restrictions and shutdowns were introduced to contain the spread of the virus. These constraints made it difficult for the program to carry out the usual initial activities and socialisation activities in which the program logic and other elements of the design could be recalibrated in the light of events, and a better understanding built among stakeholders of the task at hand.

Stakeholder decisions. Katalis invested considerable effort in producing a comprehensive assessment of regulatory changes required for governments in both countries to bring their policies, regulations, and procedures into line with the commitment expressed in IA-CEPA. The design expected that this analysis would be used to shape Katalis' work on IA-CEPA implementation. But it appears that both governments decided not to carry the implied work program forward, leaving Katalis unlikely to make much progress on assisting implementation of the Agreement – where that is interpreted to mean conforming domestic policy and practice to the commitments contained in the Agreement.

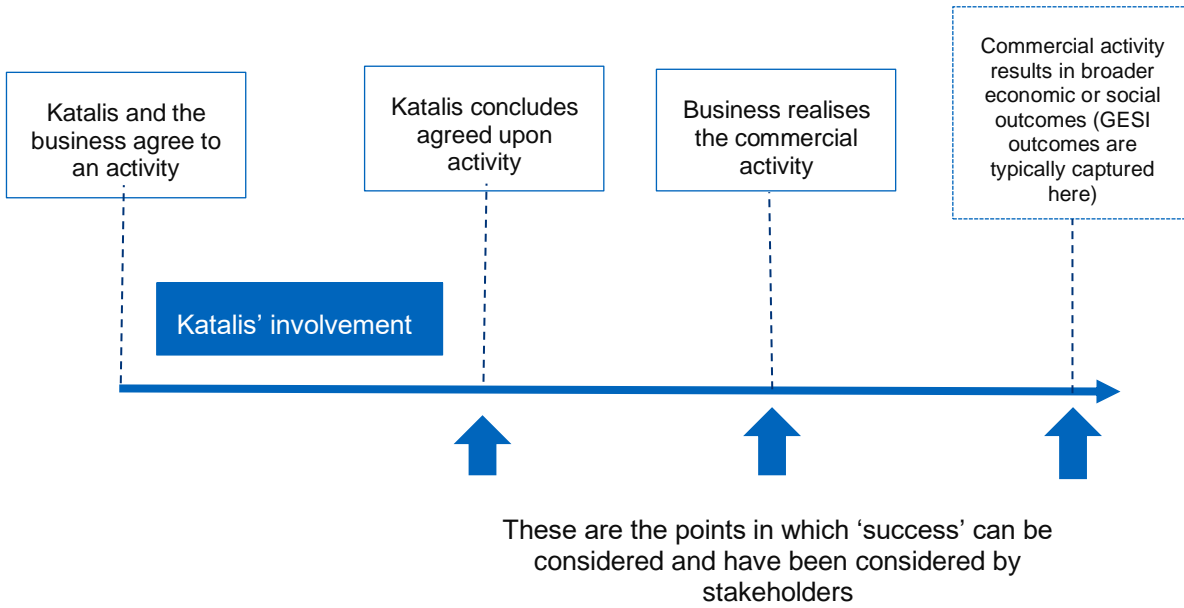
It is also apparent that lack of clarity about decision-making and approval processes has at times hindered Katalis' ability to carry forward elements of its work program, particularly in the Market Integration area where business expectations about responsiveness encounter public sector approaches to risk management.

Stakeholders have varying expectations for outcomes. Consultations with stakeholders (in particular from governments) during this Review highlighted varying ideas as to how 'success' should be defined for Katalis' engagements with business beneficiaries. Some define success as the realisation of broader trade and investment gains between Australia and Indonesia, while others consider it to be the commercial realisation (e.g. market entry) for a beneficiary. In limited instances, the conclusion of a Katalis' activity, which is typically marked by a deliverable (e.g. a feasibility study) was considered to be an 'outcome'; however, many informants noted that these are simply 'outputs' and that definitions of success cannot merely be limited to their delivery.

"Why don't we also upgrade the KPIs so that they can measure the real impact to business and not just that the business matching is done" – government stakeholder

Outcomes for beneficiary activities can be considered along a spectrum ranging from the Agreement to co-deliver an output to a commercial outcome and further to a social/economic outcome, see [Figure 3](#).

Figure 3: Spectrum of how outcomes achievement can and have been perceived by stakeholders



Alongside framing success in this way, some stakeholders suggested that Katalis should engage with beneficiaries at all steps to achieve commercial or development outcomes and well beyond delivering a specific early-stage analytical input.

This Review notes that some stakeholders did not seem to fully appreciate the risks that some beneficiary activities supported by Katalis may not lead to a commercial outcome. These risks are not equal across the beneficiary activities, given the varying extent to which activities are structured to encourage or push for the realisation of commercial activities. For some investments, Katalis' activity would conclude with a formal commercial agreement between an Indonesian and Australian business while for others, they would result in the development of a report (such as a feasibility study) which in turn may lead to a business decision to advance with the trade and investment opportunity or conversely, not pursue it altogether.

Katalis' activity selection, due diligence processes, and the requirement of co-funding from beneficiaries helps to protect the program from engaging in initiatives with a very low probability of reaching a commercial outcome. But they do not rule out the possibility of 'dead ends'. However, it is important that stakeholders recognise the inherent risks in the overall approach and also encourage Katalis to follow up on partners and to absorb and report on learning from such dead ends. Such learning could well lead to better structured or chosen partnerships in future and may also be used to inform direct engagement on reasons why ideas do not progress and if such reasons lie in policy, regulatory or other issues in the domain of government behaviour and the activities of the public sector.

Ultimately, there is a need to build a shared understanding amongst stakeholders on definitions of success/outcomes (and expectations for Katalis to progress towards them). The lack of a shared understanding is a key strategic issue for the program that will keep both governments occupied unless efforts are made to reach a practicable resolution.

6.2 Trade, investment, partnerships and skills

6.2.1 Strengthening two-way trade and investment

The analysis that Katalis made of the possible effects of IA-CEPA gave a sense of the limited potential magnitude of the impact that the Agreement's liberalisation might make on two-way trade and investment⁸. Given that Katalis has not gained much traction to support the 'efficient and effective' implementation of IA-CEPA, it is reasonable to not see a significant expansion in trade and investment at the macroeconomic level that could in any way be linked to the program⁹. Testing that effect is made more challenging because of the lags between program activity and the availability of data, which is further compounded by the aftereffects of the COVID-19 pandemic and other global disruptions on international trade and global value chains.

⁸ IA-CEPA Preference Utilisation Monitoring Framework and Preliminary Insights Report, Katalis August 2023

⁹ Also, as the utilisation study has shown, the tariff preferences provided by Katalis do not seem large enough to persuade many traders to use IA-CEPA preference compared to the preferences provided by other agreements such as AANZFTA. This may change over time, but it is also possible that RCEP may eclipse IA-CEPA in terms of preference usage.

It is also too early to identify much of an effect on trade and investment from the co-investments made under the Market Integration area. As Section 4 indicates, most co-investments have targeted early stages in business investment or export/import decisions, so changes in trade and investment attributable to the assisted activities are unlikely to have been realised as of this Review.

Overall, even in the longer term, it is unlikely that observed changes in recorded aggregate trade and investment data could be *attributed* to the program – and realistically, identification of *contributions* of the program to any observed changes would be very difficult. This is typically the case for programs like Katalis – and means that assessment of likely contributions to the program goal and end-of-program objectives must rely more on judgments about the extent to which the theoretical underpinnings of the program and their application in practice have a defensible line of sight to improving two-way trade and investment between the two countries.

- The theoretical underpinnings of the contribution that policy, regulatory and practice reforms consistent with IA-CEPA commitments would make to the scale of trade and the efficiency of domestic resource allocation are strong, the only proviso being that preferential trade agreements like IA-CEPA may encourage trade diversion rather than trade creation.
- The theoretical underpinnings for subsidising businesses to invest are less strong and quite contested. Typically (as discussed in Section 3), this kind of subsidisation is justified because there are market failures or regulatory impediments to investment that cannot readily be addressed by more direct means.
 - The design signalled this kind of approach in its characterisation of the Market Integration area, flagging that better integration would be ‘principally achieved by fostering broader and deeper sectoral partnerships’ delivering activities including new dialogue, exchange, training and research in prioritised sectors and addressing cross-cutting limitations such as different standards and conformance, corporate governance. Further, the investment criteria presented in the design spoke of prioritising ‘activities that have the potential for a strategic, systemic impact’.
 - In practice, it is difficult (with some important exceptions) to identify the pursuit of systemic impact or addressing market failures and regulatory impediments in the rationale for Katalis’ co-investments. Stakeholders observe that Katalis support may have made it easier for companies to make investment decisions: but without clearly identifying what was impeding these decisions, it is hard to tell if the support was really necessary or was well targeted at an underlying problem. The following subsection presents the results of an analysis of beneficiary perceptions of the contribution of several Katalis co-investments and explores the extent to which Katalis’ approach to co-investments appears to be pursuing systemic impacts.

6.2.2 Catalysing new and existing economic partnerships and commercial relationships

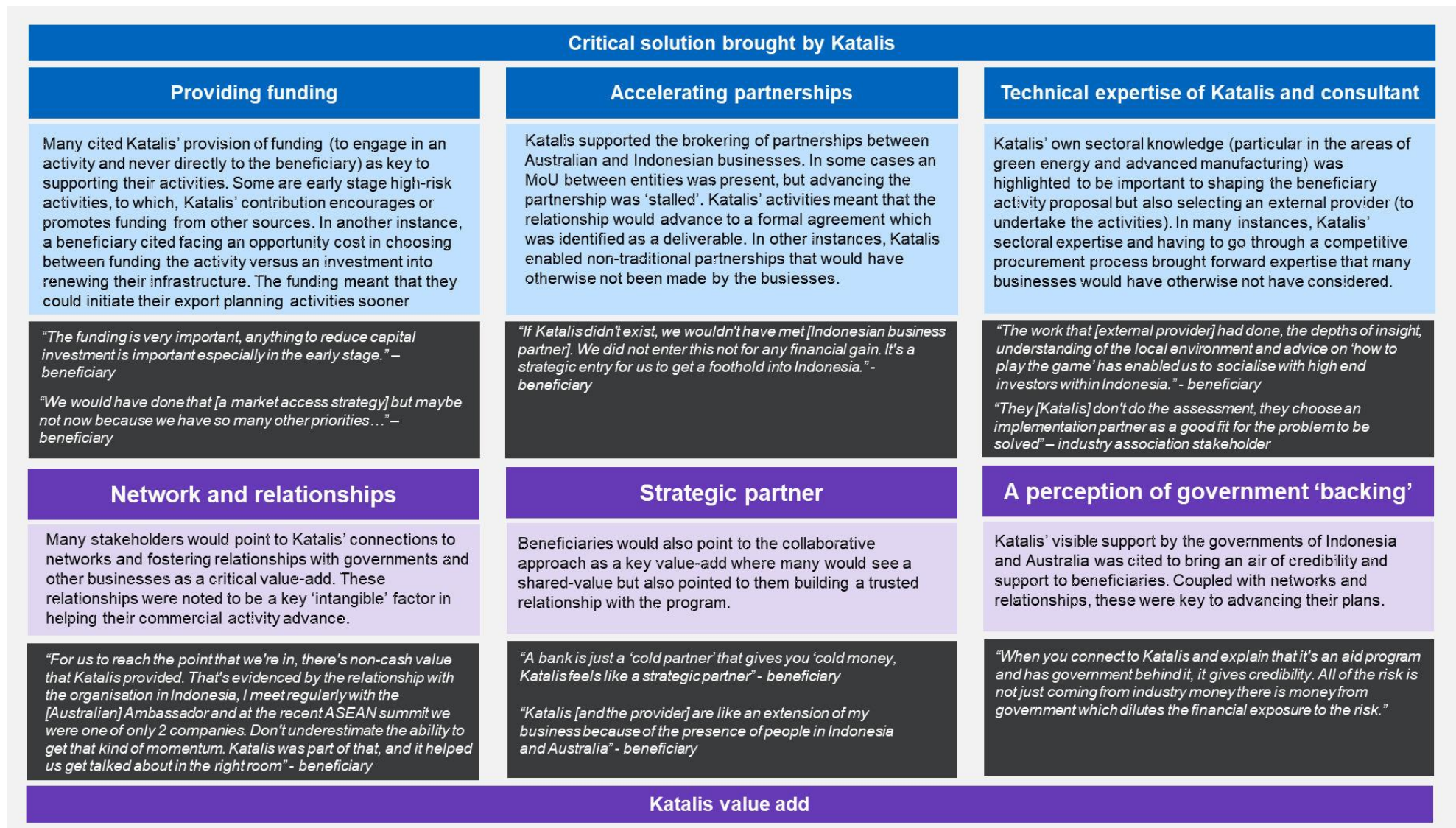
Section 4.1.2 has outlined the beneficiary activities enabled by Katalis. While these are mainly analytical (e.g. market entry strategies or feasibility studies), these are key steps towards the beneficiaries achieving their respective commercial, trade and investment goals be it investment into infrastructure, market entry or food exports. As Section 4.1.2 has also discussed, the selection of activities to support builds on a multi-step analytical framework that identifies prospective areas aligned with sectoral and economic outcome priorities of IA-CEPA and the program.

The key question is whether the chosen activities are focused on achieving systemic impact as well as commercial outcomes at the level of individual business beneficiaries. While achievement of systemic impact is unlikely to be observed at this stage in the program’s implementation, a starting point is to assess the intent behind selected activities and the nature of the problem that Katalis support helped address.

The review consulted with eight beneficiaries and several industry associations to understand how Katalis contributes to businesses’ pursuit of trade and investment opportunities in Indonesia or Australia.

A thematic distillation of the consultations is set out in Figure 4 below. Stakeholders have been de-identified from their quotes to preserve anonymity, however, a list of stakeholders consulted can be found in Annex B.

Figure 4: Thematic distillation of Katalis' contribution to businesses interested in trade and investment in Indonesia or Australia



Source: Interviews with stakeholders throughout the Mid-term Review

This Review notes that stakeholders pointed to a combination of the themes presented in Figure 4 as Katalis' collective 'contribution'. While some indicated that their commercial activities could not have progressed without Katalis, others indicated that Katalis accelerated those activities. One stakeholder could not indicate what Katalis contributed that they 'could not have done themselves' which suggests that Katalis' involvement was not necessarily critical. Finally, one stakeholder indicated that their commercial activity would have progressed regardless, though they did point to some of the value-added inputs provided by Katalis as positive contributions.

It should be noted that there is no specified requirement for Katalis' to 'solve a problem' either in the design or in the current implementation when it considers its involvement with a business. While this is not inherently an issue, Katalis would be much more likely to have a systematic impact if it tried to assess the nature of impediments and considered if the instruments available to it were likely to be effective in tackling that problem for all businesses confronting that problem. When unpacked, this can mean a combination of the following.

- The support or the 'problem solved' by Katalis enables other businesses to benefit from ensuing system changes such as regulatory or policy changes, or tackling formal and informal 'rules of the game' that stand in the way of more inclusive economic development.
- The commercial entity's activity benefits downstream (or upstream) businesses (which Katalis does consider in its investment criteria).
- The ultimate social or economic benefit stemming from the commercial activity being realised.

Examination of the documentation surrounding Katalis beneficiary activities under the Market Integration area leads to the following observations:

- Except for the engagement on mangosteen exports, few beneficiary activities identify a clearly articulated overarching structural 'problem' being addressed and consider whether the business could not find ways of addressing it themselves. In the mangosteen intervention, the engagement directly tackles issues surrounding certification as a means of addressing Australian biosecurity requirements, a regulatory issue which, when resolved (e.g. through certification) may have spill-over benefits for producers of other fruits.
- Katalis has chosen to work with larger scale, well-resourced businesses with an expectation that benefits will flow to suppliers and buyers across business ecosystems. This can create a perception risk where Katalis is seen to be subsidising something that would have happened anyway. Small businesses (Indonesian and Australian) may find it harder to find a way through the complex regulatory environment or mobilise political support and may struggle to deal with poorly functioning market systems (such as markets for information).

Because Katalis has spread its engagements broadly, it does not appear to be setting up to follow through to promote a market system of value chain changes beyond the scope of the chosen partner. So, unlike Market Systems Development programs like PRISMA, it is not usually working to facilitate further changes such as adoption/replication by other businesses, complementary investments in other parts of the value chain, or drawing on the experiences gained working on investment to inform engagement on policy and regulatory change.

6.2.3 Upskilling the Indonesian labour market

Katalis' efforts under the Skills for Recovery breakthrough area have largely focussed on matching an Australian TVET provider with an Indonesian business facilitated through a digital platform. The two key mechanisms by which they do this are through:

- The IASE platform.
- Facilitating commercial partnerships between content providers and content distributors, using co-investments similar to the business engagements under Market Integration.

The IASE platform. When this report was being prepared 33 Australian Registered Training Organisations had been onboarded to the IASE Platform. They collectively offer ten credentials, 34 short-courses and 18 micro-credentials. The courses cover many fields of interest ranging from creative economy, hospitality and tourism to manufacturing and engineering. At the same time, 38 Indonesian businesses from a similarly diverse sector base, including building and construction, digital economy, business and finance have been added to the Platform¹⁰.

The platform serves as a 'business matching' mechanism where either the provider or Indonesian business can seek out one another, negotiate their needs, and then participate in skill development as necessary. The platform itself does not host the provision of training – rather it was developed to address information asymmetries between Indonesian Industry and Australian TVET providers.

- Indonesian companies express a need to upskill staff but are unaware of Australian capabilities.
- The Australian TVET industry is unable to collectively deliver at scale due to perceived barriers to delivery and a lack of understanding of industry demand.

¹⁰ Statistics as quantified on <https://www.iaskills.org/> as of 27 October 2023

The IASE delivers:

- TVET Credentials including diplomas and certificates.
- short courses which are courses that take a short period to train in a new skill or skillset.
- micro-credentials which are self-paced certifications that can be completed over a few hours.

Online platforms and other skills activities. As at the time of this Review, Katalis had been brokering partnerships with three Indonesian digital platforms and eleven Australian RTOs to deliver online training courses. It was also working with an Indonesian eCommerce platform to acquire an Australian online recruitment company to offer online micro-credentials to Indonesian users and with an eco-tourism developer to provide training in sustainable tourism. Table 8 lists the initiatives.

Table 8 Beneficiary activities under the Skills for Recovery breakthrough area

Activity	Status
Developing and onboarding Australian TVET courses onto the Binus Center platform	In progress
Onboarding Australian TVET Providers to Pintar Edtech Platform	In progress
Support for a Digital Literacy Program for tourism villages and the tourism sector	In progress
Sustainable Tourism Destination Standard and Training – Pilot Project, Labuan Bajo	Completed
Market expansion in Australia through the acquisition of a recruitment firm	In progress

At the time of this Review, activities were focussed on the onboarding of providers to the various digital platforms and/or course development. However, the actual delivery of training had not yet occurred.

The review observed a strong line of sight to the upskilling parts of the Indonesian labour market through:

- an observable demand by both providers and Indonesian businesses to participate either in the IASE or to form partnerships with each other.
- a model that enables demand for skills to be driven directly by the Indonesian business sector, which increases the likelihood that content is relevant to the needs of the Indonesian workforce.
- a mechanism that facilitates contractual commitment between the provider and business, which in turn increases the likelihood of ongoing continuity after Katalis' role is complete.

6.3 Gender equality and social inclusion

Although GESI is not heavily prioritised in the original design and its outcomes specifications, Katalis has been working to elevate considerations of gender equality and social inclusion throughout its analytical work and activity choices, including adding a GESI criterion to its investment criteria. This reflects recognition of the positive influence of enhanced GESI and safeguard compliance on business performance and sustainability and signals that Katalis will promote the often-overlooked potential of women, people with disabilities, and other marginalised groups, highlighting their valuable contribution to robust trade and investment.

Katalis has strategically focused on directing investments into sectors with substantial female participation, those with potential for increased female engagement, and areas that offer opportunities for the inclusion of individuals with disabilities, such as the digital economy and the healthcare sector.

Katalis adopts a multi-pronged approach to GESI across all breakthrough areas consisting of:

- targeted initiatives, mainstreaming in activities,
- intersecting/scaling initiatives by working with other programs where priorities intersect and resources are available to maximise GESI impact.

How this approach is applied to each of the breakthrough areas is detailed in Annex E.

Katalis has developed several guidance products that provide frameworks for realising Katalis' investment criteria for GESI and disability inclusion. These include a Gender Equality, Disability, Social Inclusion, and Safeguards Guidance Note and Toolkit and a Disability Inclusion Strategy.

The Toolkit articulates strategies for incorporating GESI and disability inclusion principles and social safeguards into the program's organisational culture, teams, and activities, and uses three essential tools aimed at achieving relevant outcomes and ensuring social safeguards: the UN Trade Cooperation and Development Gender Toolbox, a draft Monitoring, Evaluation, and Learning (MEL) Framework, and a gender equality, disability and social inclusion safeguards minimum compliance framework. The Toolkit addresses organisational culture within the

program and specifically requires a focus on investing in industries with high female participation, and the potential for increased female participation, and that provide opportunities for workers with disabilities to participate, such as the digital economy and the healthcare sector.¹¹

The Disability Inclusion Strategy draws on DFAT's Disability Policy and Indonesia's National Roadmap on Disability, with the aim of facilitating the involvement of people with disabilities in sectors made accessible by IA-CEPA. The strategy proposes three broad approaches:

- engaging people with disabilities and representative organisations in Katalis' activities and investments.
- working to increase bilateral trade and investment in goods and services that improve outcomes for people with disabilities.
- improving disability disaggregated data availability, management and use to support informed trade and investment policies.

As indicated in Section 4, Katalis has also commissioned several research and analysis activities that focus on or consider in-depth GESI and disability inclusion objectives and how to pursue them. However, while Katalis has employed a gender advisor from the outset of the program, and more recently appointed a dedicated gender and trade specialist, work is still underway on developing concrete strategies to implement the results derived from the analytical activities, including those from regulatory analysis and the identification of potential sectors by the BOA. Despite recognising various sectors with significant potential for women's economic empowerment, Katalis is still developing clear strategies detailing how these findings can be put into action through specific programs, activities, and initiatives.

For its engagement with businesses, Katalis has incorporated GESI and disability inclusion into its investment criteria to enable more explicit considerations. As noted in Section 4.1.2, in practice, impacts are largely set out as a potential benefit further downstream from the realisation of the commercial activity. Only a subset of beneficiary activities (in particular under the Skills for Recovery area) had a clear element of inclusion planning through the use of participant targets for women and people with disability or the development of content oriented towards benefiting women. As noted above, the latter remains in its 'onboarding' stages, with no observed uptake of training as yet. At the time of this Review, the realisation of the benefits of trade and investment for women and people with disability appears to remain as a potential. Some beneficiary activities demonstrated evidence of clear plans being made to achieve them being observed (such as in the Enhanced Skills area) while others appear to be largely incidental to the commercial benefit (for example, a beneficiary activity in a sector that already primarily employs women).

The Review considers that this enhanced focus on GESI and disability inclusion should be reflected in the program logic so that it can be properly tracked and assessed in the program's MEL framework. We understand that discussions around this have been taking place.

6.4 The COVID-19 Development Response Plan

This sub-section assesses the extent to which the program contributes to progress towards the objectives of DFAT's Indonesia CRP. Katalis contributes through the alignment of the program's activities to the CRP's priorities.

Indonesia faced heightened challenges from the COVID-19 pandemic, with additional difficulties stemming from the size and density of its population and its geographic nature (as an archipelago). Australia prioritised its support to Indonesia through the provision of policy and technical advice to support the health response, expansion of social safety net programs and economic stimulus and recovery.

Katalis was oriented towards supporting the country's economic recovery, most notably through progressing the priorities outlined in Australia's (then) development policy – *Partnerships for Recovery: Australia's COVID-19 Development Response*. Katalis' contributions aligned with the following key indicators as specified under DFAT's Performance Assessment Framework (PAF):

- Indicator 9 – Evidence of policy advice and support for agricultural productivity and market access for food security.
- Indicator 17 – Dollars leveraged as additional resources to support economic development.
- Indicator 20 – 200,000 women and other vulnerable groups access economic opportunities (target 2022-23: 183,476).
- Indicator 21 – Opportunities are created for Indonesian businesses/organisations in support of economic recovery.

An assessment of Katalis' progress against the four indicators above is set out in Table 9.

¹¹ *Ibid.*

Table 9: Assessment of Katalis against the COVID-19 Development Response PAF

PAF Indicator	Katalis' progress
Indicator 9 – Evidence of policy advice and support for agricultural productivity and market access for food security	<ul style="list-style-type: none"> • Katalis prepared a case study of its contribution to this indicator through its market assessment report that sought to understand the challenges faced by East Javanese mangosteen exports to Australian or third markets. • The report showed various factors that impeded exports; however, a key issue was a dependency on the sector being able to meet Australia's biosecurity requirements. • Further investigations have shown the presence of a nearby facility that can provide the relevant treatment with the work required to ensure that both governments register the facility as an approved irradiation treatment provider. • The report has been followed up by a beneficiary activity with the business that operates the facility. Should the facility achieve registration, there would be flow-on benefits by enabling access to a larger market, not just in Australia, but in other countries that have similar biosecurity requirements. It might also enable exports of other fruits and vegetables.
Indicator 17 – Dollars leveraged as additional resources to support economic development	<ul style="list-style-type: none"> • As part of its engagement with the business sector through its beneficiary activities, Katalis has leveraged between AUD6.1 million to AUD33.4 million in co-funding from participating businesses.
Indicator 20 – 200,000 women and other vulnerable groups access economic opportunities (target 2022-23: 183,476)	<ul style="list-style-type: none"> • As of this Mid-term Review, economic opportunities for women and other vulnerable groups have not yet been observed following Katalis' activities. • As noted previously, a GESI criterion has now been included as part of Katalis' engagements with businesses to ensure that there is a consideration of women and vulnerable groups. In practice, this application has meant that activities in sectors (e.g. health) that are a majority employer of women or that set out how the activity would ensure women's participation or economic empowerment would be prioritised. • Given that many beneficiary activities are still in progress and that the few completed activities are largely focussed on the delivery of commercial outcomes (with broader social benefits such as benefits to women being further downstream), there is no evidence as yet that Katalis has contributed to this indicator.
Indicator 21 – Opportunities are created for Indonesian businesses/organisations in support of economic recovery.	<ul style="list-style-type: none"> • Section 4.1.2 and 4.1.3 have identified a total of 14 beneficiary activities which are businesses that Katalis has supported to advance their trade and investment priorities between Indonesia and Australia • Of these activities, 10 would involve an Indonesian business either as the lead business or as a partner alongside an Australian business. • While many of these beneficiary activities are in progress, one business has achieved its intended trade and investment outcome by commencing its market entry into Australia and opening its first office in Sydney in July 2023.

6.5 Sustainability

An important question for all development programs is whether the benefits they deliver are likely to last beyond the program's life. Katalis has recently developed a sustainability strategy that presents how the program – and how it approaches the activities it undertakes – can deliver benefits that endure over time.

Because Katalis operates in several quite different economic domains, it needs to view sustainability through several different lenses.

- One domain is supporting changes in the policy, regulatory, and implementation practice areas addressed by IA-CEPA. Assuming that the changes called for by IA-CEPA are oriented towards maximising the national welfare of both countries, then it is highly likely that support for implementation accorded by Katalis will yield enduring benefits¹². The binding nature of an agreement like IA-CEPA suggests that any trade and investment-related policy changes brought about by implementing the Agreement have a good chance of persisting, so the resultant benefits should be sustained.

¹² Theory suggest that market access delivered by preferential agreements like IA-CEPA may not necessarily improve national welfare, depending on the extent to which they are trade-creating or trade diverting. However, such agreements can also support introduction and maintenance of trade-friendly regulation and practice, and processes that reduce distortions to economic decision making created by poor or protectionist policies. So there is a reasonable expectation that implementing IA-CEPA commitments would enhance economic welfare.

- Katalis’ work in the Market Integration and Skills outcome areas presents a more complex set of challenges when assessing sustainability.
 - At one level, there is the question of whether the co-investments made by Katalis are followed up by genuine trade and investment outcomes, whether investments were made or exports increased.
 - At another level, there is the question of whether the investment has helped solve a problem that partners could not have solved themselves and whether the solution addresses a systemic or regulatory impediment in a way that enables other actors to adopt, adapt or invest around the project idea and its business model.
 - Further, there is a question as to whether the approach adopted by Katalis could be continued without additional support from Australian public funding. Could it be pursued by Indonesian businesses or government agencies persuaded by the commercial and policy benefits of the approach.

Katalis has taken the OECD DAC’s principles of sustainability for development assistance and assessed how well Katalis aligns with them. The Strategy reflects on Katalis’ ways of working (including engaging political will and local ownership, the extent of Gol resource commitment, impact on policy and governance reforms, building coalitions of support, ensuring inclusivity, understanding, and working alongside cultural norms and informal ‘rule of the game’. The Strategy argues that:

A key legacy of the Katalis program will be to ensure that there is both the supportive structures, policy and culture conducive to trade and investment in place in Indonesia and Australia and expanding business partnerships that catalyse further trade and investment.

Given this framing, key tests of likely sustainability lie in the extent to which Katalis is successful in engaging with policy and institutional reform processes, enhancing institutional capacity and ensuring that its business engagement is genuinely catalytic and providing impetus for changes in ways of doing business or pressing for policy and regulatory reform.

6.6 Progress against intermediate and end-of-program outcomes

As discussed above, the outcomes expressed in the program logic of the design are not achievable and do not match how the program has evolved. Katalis has proposed a re-casting of the objectives to take these factors into account in drafts of the MEL Plan, but neither the re-specification nor the MEL plan had been approved at the time of the review.

Table 10 maps the findings from this section on the program’s effectiveness against Katalis’ program logic as specified in the design document. It shows how the program is progressing against its intended and end-of-program outcomes as well as implications for the program logic going forward.

Table 10: Assessment of effectiveness against Katalis’ intended outcomes as specified in the original logic.

Intermediate outcomes

Outcome specification	Assessment of progress	Implication for a program logic
IA-CEPA commitments are efficiently and effectively implemented and maximised supported by regulatory frameworks. Strategic market access opportunities identified.	The implementation of IA-CEPA’s commitments and progressing the regulatory changes is the responsibility of both governments. Katalis has no direct role in this process and can only provide support to the committees established under the Agreement and their members, as requested. Katalis has identified strategic market access opportunities and provided information on regulatory and institutional issues associated with IA-CEPA implementation, and it has also assisted with the implementation of side letters to the Agreement. Katalis has also been very active in socialising IA-CEPA and the opportunities it provides to Indonesian and Australian businesses.	This intermediate outcome statement needs to be revised to reflect that Katalis can only provide support to IA-CEPA committees and government agencies as requested and within the resourcing available to the program. It has very limited agency regarding implementation of the Agreement and cannot be held accountable for implementation progress.
Engaged industry drives and invests in opportunities for trade and investment	There are early indications for this outcome being achieved, most notably: <ul style="list-style-type: none"> • The groundbreaking ceremony for the WHIP project, which signals investment into health infrastructure in West Java by an Australian business • An Indonesian business achieving market entry into Australia. 	The outcome needs to reflect that fact that it is bilateral trade and investment opportunities that are targeted, and that Katalis promotes engagement in opportunities that have been identified by its strategic assessments.
Indonesia-Australia economic partnerships	Katalis’ engagement with businesses is not necessarily the brokering of a partnership between an Australian	This outcome statement could benefit from better clarity as to the definition

Outcome specification	Assessment of progress	Implication for a program logic
are developed across agrifood, advanced manufacturing and services.	<p>and Indonesian provider. Indeed, some engagements are direct to a single commercial entity. The relationship between the business and a technical service provider procured by Katalis is also referred to as an implementation partnership which further adds complexity.</p> <p>However, of the 14 business beneficiary activities that Katalis has supported to date at least eight would involve a bilateral partnership, with the highest profile being the partnership for the WHIP project culminating in a consortium between an Australian health provider and an Indonesian state-owned investment holding company.</p>	<p>of 'partnership' since many of Katalis' current activities are with individual businesses.</p> <p>It would also be useful to rephrase this outcome to better link to the sectors chosen through Katalis market and business opportunity assessments (for example, health as a sector is not acknowledged in the current phrasing). This would assist Katalis in better targeting its work for impact.</p>
Enhanced and aligned standards and conformance ecosystem supporting more integrated markets	<p>Katalis has allocated work on this outcome to the Market Access team under the Market Access EOPO. As with the first IO, Katalis work in this area is determined by opportunities created by IA-CEPA committees and their members.</p> <p>Katalis has been doing useful work on side-letters to the Agreement, some of which are concerned with capacity building associated with standards and mutual recognition agreements.</p>	<p>This outcome could readily be subsumed under the first IO, since it is closely associated with supporting IA-CEPA implementation.</p> <p>Doing so also acknowledges that Katalis' market integration activities, which are largely business engagement, appear to function relatively independently of their support to align standards and conformance.</p>
Improved systems and inclusive policies for developing and identifying labour market skills and requirements.	<p>There is strong evidence that Katalis is helping improve market-based systems for delivering certain kinds of skills development programs by brokering partnerships between an Australian training provider and an Indonesian business.</p> <p>However, Katalis' activities are not necessarily about systems improvements and policy development for labour market skills identification. To some degree, Katalis does enable this through some of the labour market skills analysis but this is ultimately not the focus of the Skills breakthrough area.</p>	<p>This outcome needs to be fully re-specified to reflect Katalis' activities, which are more focused at business-to-business engagement rather than the higher-order policy level.</p>

End of Program Outcome

Outcome specification	Assessment of progress	Implication for a program logic
Greater market access for Indonesian and Australian businesses by 2025	<p>This end-of-program outcome is linked to the outcome around the implementation of IA-CEPA. As such, the limitations around Katalis' ability to affect the commitment impact this outcome as well.</p> <p>However, given that the statement focuses on a relative change in Market Access through the use of the term 'greater' and does not necessarily point to a finality, this outcome remains in progress given Katalis' other activities.</p>	<p>The specification of time will require discussion and agreement with key stakeholders to set a realistic expectation of what can be achieved and demonstrated by 2025.</p>
Better integrated markets between Indonesia and Australia fostering new inclusive economic partnerships by 2025	<p>Katalis' engagements with businesses directly contribute to this end-of-program outcome and the evidence indicates that it is progressing toward its achievement.</p> <p>Given that the statement focuses on a relative change by the use of the term 'Better', the outcome remains in progress. However, the scale of this outcome may require further consideration given the 14 business beneficiary activities to date (though we acknowledge that there are prospective opportunities in the pipeline).</p>	<p>The specification of time will require discussion and agreement with key stakeholders to set a realistic expectation of what can be achieved and demonstrated by 2025.</p>
Enhanced labour market skills for Indonesian businesses	<p>The provision of training has not yet occurred, and as such, this Review cannot yet determine whether skills development has occurred. However, given the</p>	<p>The specification of time will require discussion and agreement with key stakeholders to set a realistic</p>

Outcome specification	Assessment of progress	Implication for a program logic
and government, boosting productivity, gender equality and social inclusion	significant uptake of both training providers and businesses – the evidence indicates that Katalis is on track towards this outcome.	expectation of what can be achieved and demonstrated by 2025.

This assessment shows that Katalis is making progress towards the end-of-program outcomes, most notably in the market integration and enhanced skills outcome areas, but cannot be expected to deliver much in the way of change at any kind of scale by 2025. This is not a failing of the program but reflects the nature of the kind of work that Katalis is doing and the long lead times and causal links between the inputs it can provide and the outcomes that are being sought.

It is also clear that Katalis has pivoted away from working on some of the intermediate outcomes, or that some of these outcomes have not been specified in a way that reflects how Katalis can engage with the subject matter driving the outcomes (such as IA-CEPA implementation). As indicated in the table above, a key next step is for Katalis and program stakeholders to review and update the program logic to better reflect its activities and priorities.

7 Adaptability and efficiency

This section addresses review questions concerning the adaptability of the program's modality and the efficiency with which it uses resources.

Key findings

- Katalis has proven to be very responsive to changing circumstances and emerging priorities and needs expressed by the governments of Indonesia and Australia, reframing its engagement across the three outcome areas in the light of changing priorities and emerging lessons and managing and seeing opportunities arising from the Covid-19 pandemic.
- The governance arrangements associated with the program modality have the potential to limit the nimbleness with which Katalis can respond to and deliver against opportunities arising from engagement with the private sector, and processes have yet to be developed to efficiently address the complex bundle of risks associated with the program.
- Katalis and its shared services model with Prospera appear to be very efficient, with significant, complex and demanding activities being delivered with a relatively modest staff and operational services budget. The 'Collaborative Hub' envisaged in the design has not been pursued to any great extent, given the realities confronting attempts to get different programs with different implementers to work together.
- An important feature of the program is that its work with the business sector has very limited economies of scale – expanding the number and scope of activities beyond current levels requires expended (and often quite specialised) team resources.

7.1 Flexibility and responsiveness

Katalis has proven to be flexible and responsive to the changing circumstances and requirements of Gol and the Australian Government. The formal governance structures and arrangements for the program, including the processes associated with the approval of Annual Work Plans, allow both governments to agree on signalling changes in priorities (within the overall scope of the program and its intended outcomes), and do not seem to have impeded changes in focus and approach, as evidenced by the way that the program has:

- reframed its engagement on Market Access given decisions made about the RGA and the difficulties of engagement with IA-CEPA committees and working groups.
- pivoted its work on Market Integration towards working with individual businesses rather than sectoral and industry associations to facilitate the pursuit of commercial ventures.
- targeted its work on skills towards exploiting the potential of online learning and promoting partnerships between Indonesian online platforms and Australian RTOs.

Katalis is a program using government resources and managed by processes concerned with ensuring the appropriate use of those resources, but it works closely with a range of stakeholders, some of which have expectations of high levels of responsiveness and quick turnaround on decisions. There is potential for tension between DFAT's need to manage a complex range of risks, and the expectation that Katalis can match the nimbleness of some of its commercial partners. As a mechanism to support the implementation of IA-CEPA, the multi-stakeholder environment and spread of accountability and management for Katalis requires particular attention to ways of expediting decisions that are time-sensitive for Katalis.

Katalis is a program that is inherently risky, in particular stemming from its close interaction with the business sector, which both Governments (and DFAT in particular) need to be prepared to manage the following issues.

- As Katalis can only support the implementation of IA-CEPA, it must be prepared to very rapidly pivot its focus and its attention should the priorities of the Australian and Indonesian government's shift (as demonstrated by the experience with the RGA).
- As a program intended to expand two-way trade and investment, Katalis risks appearing to support increasing competition to incumbent businesses, since increased competition is one of the primary ways that trade liberalisation is meant to improve national welfare and promote growth. This is not an *unintended* by-product of the Agreement or IA-CEPA. Rather, it is a central tenet of the economic logic underpinning the construction of trade and investment agreements. If governments are committed to the trade and investment-creating effects of IA-CEPA, then they need to find ways to manage perception risks from the business sector.
- Katalis' pivot towards working with large businesses in pursuit of individual trade and investment initiatives has the potential for the program to be seen to be associated with noteworthy transactions. But it also involves risks that it is perceived to be using public funds to support well-resourced businesses rather than trying to bring about systemic changes that may provide benefits to a much broader and more diverse community. This risk is embedded in the lack of clarity as to the purposes to be achieved using ODA funds and is a risk to the achievement of development outcomes as well as one of perceptions. The solution would appear to lie in getting a much clearer specification of what DFAT (and Gol) want to achieve with a development program funded out of ODA.

- Consultations for the Review suggested that the fact that Katalis is deeply embedded in IA-CEPA, its commitments and structures, while being a development program for which Post has overall responsibility and accountability, may be creating issues of clear and effective communications to and from the program.

7.2 Budget and resourcing

As with the assessment of the program's effectiveness in Section 6, assessing whether the current budget envelope and its distribution is appropriate to achieve Katalis' objectives is difficult to determine given:

- the challenge around the realism of the originally specified program objectives.
- the shift in program activities.

An assessment of the budget based on what the program is currently undertaking and what it can realistically achieve demonstrates that Katalis' expenditure reflects its current focus, but it has also adopted the most efficient and realistic resourcing model it could apply.

A distribution of Katalis' actual expenditure and the relative proportion among the three main breakthrough areas up to September 2023 is as follows:

- Market Access has expended AUD 3.5 million (22%)
- Market Integration has expended AUD 6.8 million (43%)
- Skills for Recovery has expended AUD 5.4 million (34%).

The Market Integration and Skills for Recovery breakthrough areas commanded the larger proportion of expenditure, given the spend to external providers as part of Katalis' engagement with businesses. For both breakthrough areas, the spending on external providers would make up 80% of their respective totals, demonstrating that Katalis largely depends on those providers' expertise to deliver program activities. The two breakthrough areas also operate with lean teams with three incumbent staff members, respectively (though Katalis is recruiting additional personnel).

In contrast, Market Access would have a nearly equal split of personnel expenditure and expenses on activities undertaken by external providers, which demonstrates a more 'in-house' approach to delivery.

We note:

- The generally large dependency on an outsourced model to procure external advisors is the most efficient way for the organisation to gain specialist skill sets, in particular, given the breadth of sectors in which it operates. However, this, in turn, may raise its own risk of the organisation being unable to access the right skill set should it procure at a time when the advisory market does not have the capacity to respond adequately. There is also the risk that an outsourced model limits in-house development capabilities and a shared sense of identity for Katalis with rotating senior advisers.
- Contract management responsibilities rest on Katalis' personnel. Given the effort required to support future candidate beneficiaries and in-flight activities, there is a natural limit to Katalis' ability to scale its activities. This means that the program's flexibility to accommodate more businesses will be limited based on the current number of personnel.

7.2.1 The Collaborative Lean hub

The design for Katalis introduces the concept of 'Collaborative Hub' (which would later be referred to as a Collaborative Lean Hub, and referred to as the Hub for this report) as the key delivery mechanism for the program given the need to:

- Cover diverse areas, including trade and investment, skills, education, infrastructure, agriculture, food processing, professional services and financial services, amongst others.
- Complement and collaborate with existing bilateral and regional trade and development programs such as in Economic Governance (Prospera) or the delivery of short courses through Australia Awards Indonesia.

The Hub, as it was originally specified, was a delivery model:

- To connect Katalis' activities to other relevant DFAT investments and adopt a whole-program approach and other external partners.
- That provides an entry point for those seeking further engagement or collaboration with the IA-CEPA and Katalis' activities,
- That provides an avenue for ongoing public outreach and stakeholder engagement to promote understanding and support for IA-CEPA through websites, reports, information materials and ongoing dialogues.

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The Hub has been able to achieve its intent of creating a focal point for engagement and delivering communications activities, however, it is largely undertaken by Katalis and is simply referred to as 'Katalis' to enable the prominence of their branding.

However, there has been limited collaborative delivery of activities as originally envisaged, with the exceptions of:

- Australia Award Indonesia’s involvement in delivering a course for emerging leaders in the grains industry as part of the Grains Value Chain Leadership Program.
- The partnership with Investing in Women to develop the Australia Women’s Empowerment Dialogue.

Consultations with Katalis have identified that such collaborations are difficult to implement, primarily due to the challenges of aligning Katalis’ objectives with other investment partner objectives. As such, Katalis is now largely ‘delivering’ the majority of its activities either internally or by outsourcing them to a contracted provider (with management still resting with Katalis).

A separate but related concept is a described model for shared services as a means of minimising duplication with existing investments and maximising value for money. The design had intended that Katalis look for opportunities to complement and fully utilise operational (or ‘back office’) functions in existing DFAT investments, including:

- Human resources
- Office space
- Logistics, accounting, project management and other administrative support
- IT capabilities
- Cross-cutting technical teams, including MEL, GESI and communications
- Regulatory navigation experience and existing networks in Indonesia in the economic, trade and investment sectors

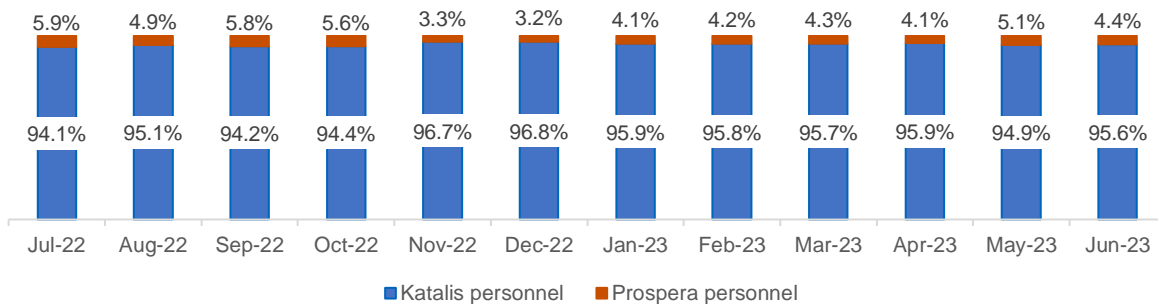
In practice and based on a decision made in late February 2021, Katalis was fully integrated into the Prospera program. This integration meant Katalis:

- Is provided access to the full suite of Prospera’s expertise and technical resources,
- Adopts Prospera’s existing operating platforms and services,
- Accesses Prospera’s operational functions.

A visible brand distinction was established between the two entities to ensure stakeholder have clarity of their respective purpose but also to manage their public profile needs i.e. Katalis, by nature, requires a high public profile to engage with the business sector, whereas Prospera needs to maintain a lower profile to cultivate a reputation of trust and confidentiality.

Figure 5 outlines the proportion of Katalis and Prospera personnel time spent on delivering Katalis’ objectives.

Figure 5: Analysis of Katalis and Prospera personnel time spent towards the delivery of Katalis’ objectives in FY22-23



Source: Data request for Katalis/Prospera timesheet data for this Mid-term Review

Of the ~3,300 total hours per month (on average between July 2022 to June 2023), a vast majority are delivered by Katalis, with an average of 4.6% of hours per month being delivered by Prospera personnel.

Five Prospera personnel accounted for command 86% of the Prospera effort, including the:

- IT Design and System Administrator
- Facility Director
- Deputy Operations Manager
- Chief of Operations
- Human Resource Support Officers

The remaining staff would include various project officers, translators and data analysts. This shows that Katalis largely delivers its activities itself, and the limited time that Prospera personnel are utilised is for operational matters, largely reflective of the intent of the design.

7.3 Interaction with other programs and private service providers

The evaluation framework asks if Katalis complements private sector partners, other DFAT investments and technical subcontractors and if there is any overlap.

There is conceivably an overlap between Katalis' work on IA-CEPA implementation and the work of the Regional Trade for Development Facility (RT4D) supporting the implementation of the AANZFTA and the Regional Comprehensive Economic Partnership (RCEP), but the Review could see no evidence of this. Because Katalis is embedded in Prospera, there are clear management structures in place to avoid any unnecessary duplication of work on policy and regulatory reform – if anything, the two programs could likely complement each other very well if requested to do so, and there is evidence of how Katalis has drawn on Prospera's analytical capabilities in joint studies and supporting data analysis.

While the Collaborative Hub did not materialise, Katalis has found effective ways of engaging with programs like Australian Awards Indonesia and Investing in Women.

A more important question is whether the kind of 'strategic partnering' services that Katalis has delivered under its partnerships with individual businesses could be provided by a purely commercial entity or a government agency like Austrade.

It seems that, by and large, Katalis and Austrade have developed ways to complement each other in supporting Australian businesses entering the Indonesian market – Austrade does not have a budget to provide the kind of service provision that Katalis offers. Whether a commercial firm could provide similar partnering services to Indonesian businesses is unclear. Katalis is a program of two governments so its services are implicitly underpinned by the associated linkages, which may give it an edge over any purely commercial service provider. The issue seems to be more one of whether, for some partners, Katalis' services are largely redundant, given those partners' apparent ability to mobilise venture capital and support from key parts of the Indonesian government system.

8 Katalis' MEL framework

The Review has been asked to consider if Katalis' monitoring and evaluation practices have provided adequate evidence for performance assessments and decision-making. This section responds to that question, identifying a caveat concerning the fact that while a MEL plan has been drafted (the most recent version being August 2023), it is yet to be accepted by the ECC. We understand that the main reason that the draft plan is still in discussion and yet to be accepted is due to ongoing conversation on the indicators and program logic which include modifications to address some of the deficiencies identified by the program team in the original design's logic (and as discussed in this report).

This section assesses Katalis' MEL systems based on the August 2023 version; however, readers should keep in mind the above caveat regarding the status of its program logic. A key and immediate priority for the program is to review and agree on a program logic before any further work commences is undertaken on the MEL framework.

Key findings

- A draft of Katalis' MEL plan has been assessed externally to be robust, realistic and measurable. However, it remains as a draft and needs to be further discussed and agreed by both governments.
- For this reason, and because the draft plan is new and unapproved, it is not possible to determine how in practice, it supports program decision-making. However, the MEL framework is well-designed to serve this purpose if suggestions on the adjustment to the logic were — with one exception — approved, and subject to the limitations to which all formal MEL plans are subject.
- The review considers that to enable full implementation of an effective MEL system, adjustments to the program logic are needed, and the governance mechanisms need to consider and agree on the adjustment to the logic as a matter of urgency.

8.1 Supporting decision making

The Katalis' MEL plan considered by the Review states that one of the primary functions of the MEL system is to "Provide the mechanisms to monitor and evaluate the performance of Katalis to inform decision makers on the extent to which it is progressing towards its intended end of program outcomes (EOPOs)". To achieve this, the plan describes how the data collected will feed into the learning and reflection processes with key implementing partners and stakeholders, as well as how it informs the various reporting templates at the various levels. These processes are intended to allow key decision makers, such as DFAT and Bappenas, to make strategic decisions on the program's intended outcomes and review the following year's annual work plan.

Learning and Reflection

The MEL system includes internal quarterly learning and reflection workshops and partnership reviews with external stakeholders. The internal workshops are focused on improvement and risk management. Findings from these workshops and various partnership reviews are synthesised and summarised into a report, which feeds into the six-monthly progress reports. As of the January to June 2023 Progress Report, these six-monthly progress reports have focused mostly on operational matters and less on intended outcomes while the various baseline studies and key performance indicators were being set up.

Reporting

The Katalis team produces regular and periodic reports to DFAT and Bappenas. The reporting templates aim to capture key achievements at their respective levels as well as operational performance and accountability, external events surrounding the bilateral relationship, lessons learned and recommendations for the next period. See Table 11 for a summary of the various reports generated by Katalis.

Table 11: Outline of Katalis' reporting activities throughout an implementation year

Report	
Update Reporting	A report that is developed and shared with DFAT and Bappenas during trilateral meetings and provides an aggregated summary and analysis of high-level view of progress and to flag any emerging issues.
Annual Partnership Report/Review	Captures stakeholder perceptions about how the program is performing, whether it is meeting expectations and areas for improvement.
Six Monthly Report	Aggregated summaries and analysis of the monthly reports, media monitoring, learning and reflection workshops and partnership reviews to highlight key achievements and challenges against the intended outcomes, operational issues, and lessons learned and recommendations for the following implementation period.

8.1.1 How Katalis measures the success of its three outcomes

Katalis has recently developed 13 key performance indicators (KPIs) which are distilled from the program's results framework. These are intended to support the monitoring of the program's progress and, therefore, support decision-making by determining which activity requires attention. The KPIs were developed to align with suggested refinements to the intermediate outcomes of the program logic model to track progress and monitor how these contribute to EOPOs. We note that a revision to these KPIs may be required should any changes/adjustments be made to Katalis' program logic. See Table 12.

Table 12: Katalis' KPIs

No	KPI	Result area	Quantitative measure	Qualitative evidence and narrative
1	Bilateral trade and investment statistics	Goal and EOPOs	Quarterly trade statistics and trends in key sectors related to IA-CEPA Changes in trade intensity between Indonesia and Australia compared to global exports/imports	Description of global and regional trends to place bilateral trends in context. Narratives around sectors showing significant changes following IA-CEPA implementation. Market integration rubric assessment (scorecard)
2	IA-CEPA utilisation rate	Goal and EOPOs	Per cent, utilisation of IA-CEPA based on customs data	Description of product areas
3	Businesses involved in bilateral trade and investment	Goal and EOPOs	Number and ratio based on global trade statistics taken from business register and shipping manifests/customs data	General description of key sectors where businesses dominate bilateral trade and description of changes throughout IA-CEPA implementation. Description of the business journey throughout Katalis from 2022 to 2025.
4	Powerhouse opportunities identified and supported	Market access, Market integration and Skills EOPOs and long-term outcomes	Number of new powerhouse opportunities identified compared to the baseline situation Number of partnerships forming and level of investment in new powerhouse opportunities	Description of the potential opportunity and third market environments including GESI benefits. Case studies of each identified opportunity and market insights.
5	Commercial partnerships identified and established	Market access, Market integration and Skills EOPOs and long-term outcomes	Number of new partnership opportunities identified and supported by sector including skills exchange Number of partnerships forming and level of investment in new opportunities Number of pilot projects developed and going to scale.	Description of sector placed in context by bilateral trade and investment statistics. Description of how better market integration results from business partnerships

No	KPI	Result area	Quantitative measure	Qualitative evidence and narrative
			Estimated number of micro, small, and medium enterprises (MSMEs) benefitting from commercial partnerships	Description of supply chains and benefits delivered in terms of MSMEs and GESI
6	New market access opportunities or improvements identified and supported	Market access and market integration EOPOs	Number and types of market access opportunities identified. Number of pilot projects supported.	Description of new opportunities and pilot project potential for scale-up to commercial levels
7	Government commitments implemented to maximise IA-CEPA	Market access EOPO	Number of commitments and percentage of commitments in side letters implemented including mutual recognition standards. Number of policies implemented based on Katalis's advice to improve market access in key sectors	Description of each commitment identified and supported by Katalis and Governments. Ongoing status of each commitment in relation to political economy analysis.
8	Bilateral business strategies developed	Market integration intermediate outcomes	Number and type of new bilateral business strategies developed to promote bilateral trade and investment	Description of the extent to which the business strategies are supported by the business sector and adopted for implementation
9	Economic opportunities for women and people living with disabilities	Market access, market integration and skills EOPOs	Estimated number of women and people with disabilities benefiting from increased market integration and access to skills training	Description of activities and key sectors where Katalis investments are impacting GESI outcomes including through MSMEs
10	Level of awareness of the benefits of GESI to achieve better commercial outcomes	Market access, market integration and skills intermediate outcomes	Percentage of key stakeholders and business partners aware of the benefits of GESI Percentage of key stakeholders and business partners who support GESI initiatives	Narrative of responses to adopting GESI approaches for bilateral business partnerships
11	Australian TVET and training investment in Indonesia	Skills for recovery EOPOs	Number and value of TVET institutions investing in course development in Indonesia and on Indonesian training platforms Number of TVET and training institutions registered and active on the IASE Platform	Description of courses, target markets, demand and uptake.
12	Australian TVET Course enrolments and completion	Skills for recovery EOPOs	Number and trends of students enrolling and completing courses (gender and disability disaggregated) Revenue generated for TVET institutions Percentage of students using skills to gain improved employment outcomes	Narrative describing industry demand and quality of courses
13	Outreach and promotion – stakeholder awareness and engagement	Market access, market integration and skills intermediate outcomes	Number and time series trends of people and businesses informed and engaged with Katalis through outreach, forums, workshops and social media (gender and disability disaggregated where possible) Level of engagement and number of new proposals following outreach activities	Description of outreach events and responses to events Feedback on social media Assessment against communication and advocacy outcome areas

Source: Adapted from the Katalis MEL Plan, August 2023

The KPIs make use of macro indicators under the goal and EOPO result areas such as trade volume and the utilisation of IA-CEPA. While the use of these macro indicators is relevant given the overarching intent and purpose of Katalis, the program faces challenges in attributing its efforts to these macro indicators. This attribution issue is acknowledged by Katalis, and the program intends to assess attribution using a case study approach for selected investments.

Though not yet a prominent feature of Katalis' reporting, KPIs are intended to be used as part of reporting in Katalis' six-monthly progress reports from July 2023 onwards. Katalis acknowledges in its MEL plan that it has focussed on output and operations reporting to date but will soon progress towards intended outcomes reporting.

This Review has not observed significant reporting against the identified KPIs. However, a baseline has been established, with most starting values set to zero, reflecting a fresh starting point at the beginning of the program. Katalis has also only recently established its data collection mechanisms to inform the KPIs (e.g. a utilisation study of IA-CEPA).

In addition, Katalis has recently introduced markers of success for its beneficiary activities.

Katalis has attempted to provide further information to better define 'success' for the beneficiary activities in its recent six-month progress report (June 2023). These are largely qualitative, with variation seen between them. An analysis of those success definitions shows that they can broadly be categorised as:

- infrastructure investment – a business beneficiary will invest to set up infrastructure in Australia or Indonesia.
- product improvement – the beneficiary activity will enable some form of product improvement such as increasing its value-add.
- efficiency gains – the beneficiary activity will enable efficiencies to business, thereby, generating a return through those efficiency benefits.
- customer growth – a business beneficiary will gain a larger customer base as a result of the activity.
- output generation – a business beneficiary will see a larger volume of product (goods or service) generation as a result of the activity.
- market entry – a business beneficiary will establish a presence in the Australian and/or Indonesian market.
- revenue generation – a business beneficiary will gain a larger revenue as a result of the activity.
- social benefits – there are flow-on benefits beyond the business beneficiary for example for women or people with disability.

See Table 8.

As the table shows, the definition of success varies between each beneficiary activity and ranges from investments by the beneficiary to revenue generation. 'Success' is by and large focussed on the beneficiaries themselves, with only one activity explicitly stating a broader social benefit as a measure of success. This definition will need further socialisation and to generate alignment that these are, indeed, an agreeable measure of success.

Table 8: Defining success for beneficiary activities to date

Beneficiary activity	Time to success	How success is defined (summarised)	Infrastructure investment	Product improvement	Efficiency gains	Customer growth	Output generation	Market entry	Revenue generation	Social benefits
Accelerating grid-scale battery manufacturing and integration in Indonesia for energy reliability, transition, and supply into EV charging networks	10+ years	<ul style="list-style-type: none"> Investment in the development of grid-scale manufacturing in Indonesia and forging partnerships with local suppliers and business consumers. Demonstration project of a single grid-scale battery 	✓	-	-	-	-	-	-	-
Exploring Indonesia - Australia fintech opportunities for the two-wheel EV market	2 - 5 years	<ul style="list-style-type: none"> Entering Indonesia's electric motorcycle ecosystem Generating AUD64 million in recurring revenue by 2032 	-	-	-	-	-	✓	✓	-
Facilitating the entry of an Indonesian digital identity verification service into the Australian market	12 - 18 months	<ul style="list-style-type: none"> The Indonesian business will invest AUD3 to 5 million to enter the Australian market. Success in Australia may enable broader international expansion. 	-	-	-	-	-	✓	-	-
Grains Value Chain Leadership Program	5 - 10 years	<ul style="list-style-type: none"> Improvements/innovation that reduce cost, develop new product or add value to existing products Noted to generate a return on investment, however, the precise value of that return is unquantified. 	-	✓	-	-	-	-	✓	-
Medical tourism – Sanur regenerative health clinic	2 years	<ul style="list-style-type: none"> Construction of a regenerative health clinic for medical tourism in the Sanur Special Economic Zone in Bali. 	✓	-	-	-	-	✓	-	-
Moving up the cocoa value chain and expanding premium cocoa exports to Australia	2 - 10 years	<ul style="list-style-type: none"> The Indonesian business and cocoa producers entering Australian market in 1 - 2 years. In the long-term there should be a benefit to smallholder farms and small to medium enterprises along supply chain through product shifting from low-value bulk fair to high-quality fermented cocoa beans. 	-	✓	-	-	-	✓	-	-
Online Learning Program in Grain Technology and Mill Processing for Indonesian Flour Mills	5 - 10 years	<ul style="list-style-type: none"> Efficiency gains on flour milling of 1% through effective training, returning approximately AUD60million annually for the Indonesian flour milling industry. 	-	-	✓	-	-	-	-	-
West Java Greenfield Hospital Development (WHIP)	3 years	<ul style="list-style-type: none"> Construction of one or two hospitals based on the results of the bankable feasibility studies (one is estimated to AUD58-73 million) 	✓	-	-	-	-	-	-	-

Beneficiary activity	Time to success	How success is defined (summarised)	Infrastructure investment	Product improvement	Efficiency gains	Customer growth	Output generation	Market entry	Revenue generation	Social benefits
		<ul style="list-style-type: none"> Over the long-term, success is the construction of 23 hospitals and 650 clinics in West Java over a 13-year period, valued at over USD1 billion in domestic and foreign investment. 								
Developing and onboarding Australian TVET courses onto Binus Center platform	5 years	<ul style="list-style-type: none"> Profit generation of 19% and revenue of AUD 2 million per course to be equally distributed between the participating Indonesian business and the Australian RTO. 	-	-	-	-	-	-	✓	-
Onboarding Australian TVET Providers to Pintar Edtech Platform	2 years	<ul style="list-style-type: none"> Australian TVET and other skills providers offer their courses on the Indonesian business' platform Op to 3,000 paying trainees enrolling in first two years. 	-	-	-	✓	-	-	-	-
Support for aDigital Literacy Program for Desa Wisata (Tourism Villages) and the tourism sector	2 years	<ul style="list-style-type: none"> Long-term commercial partnership between Australian TVET and other skills providers and the Indonesian business to provide digital literacy training to tourism operators and suppliers. The Indonesian business and providers will generate income (amount unquantified) and the courses will support women and other disadvantaged groups to be digitally literate and participate in e-commerce. 	-	-	-	-	-	-	✓	✓
Sustainable Tourism Destination Standard and Training – Pilot Project, TanaMori, Labuan Bajo	5 - 15 years	<ul style="list-style-type: none"> Australian investors and training providers support TanaMori and other Indonesian priority tourism destinations to improve sustainable tourism destination management. For TanaMori, success means a commercial return with an estimated return on investment of 12% to 15% over 15 years. 	-	-	-	-	-	-	✓	-
Market expansion in Australia through the acquisition of a recruitment firm	5 -10 years	<ul style="list-style-type: none"> The Indonesian business will disburse AUD 50–70 million to acquire an Australian recruitment firm This is anticipated to lead to further expansion throughout the Asia Pacific region. 	✓	-	-	-	-	-	-	-

Source: Adapted from the Katalis Six-Month Progress Report, 1 January – 30 June 2023.

Note that Ensterna's definition of success was not captured in the recent six-month progress report.

✓ indicates the applicable category of 'success'

9 Future directions

This section presents the Review's suggestions for a second phase of Katalis and for changes during the remaining two years of the current phase.

9.1 Lessons learned and considerations for the future

Despite the impacts of the COVID-19 pandemic and the need to pivot away from the original design, Katalis has been doing important and impressive work with the potential to advance greater flows of trade and investment and movement of people between Australia and Indonesia and to develop innovative ways of improving Indonesia's labour market skills. The program has achieved a very high profile within externally focused parts of the business communities of both countries, as well as within both governments.

The design described the implementation of IA-CEPA as the 'core business' of Katalis. This probably overestimated the degree of influence that the program could have over actions that were the responsibilities of the governments that are party to the Agreement. At best, Katalis can respond to requests for support from the agencies that are party to the Agreement's institutional structures. After the submission of the RGA, Katalis has focused its attention on implementing side letters to the Agreement and gathering information on policy and regulatory issues germane to the overall implementation of the Agreement. It was not mandated to work in a concerted way to assist the translation of IA-CEPA commitments into domestic policy and institutional behaviour. (However, the program has responded to some requests from GOI agencies that are responsible for certain matters covered by IA-CEPA).

To continue to work towards expanding two-way trade and investment, the program has put significant effort into assisting individual businesses in progressing specific initiatives. This has the benefit of demonstrating that there are realisable opportunities for commercial engagement between the countries, but, with some exceptions, it has yet to translate into observable commercial outcomes. This is not surprising, given the time involved in developing and implementing viable, large-scale commercial initiatives.

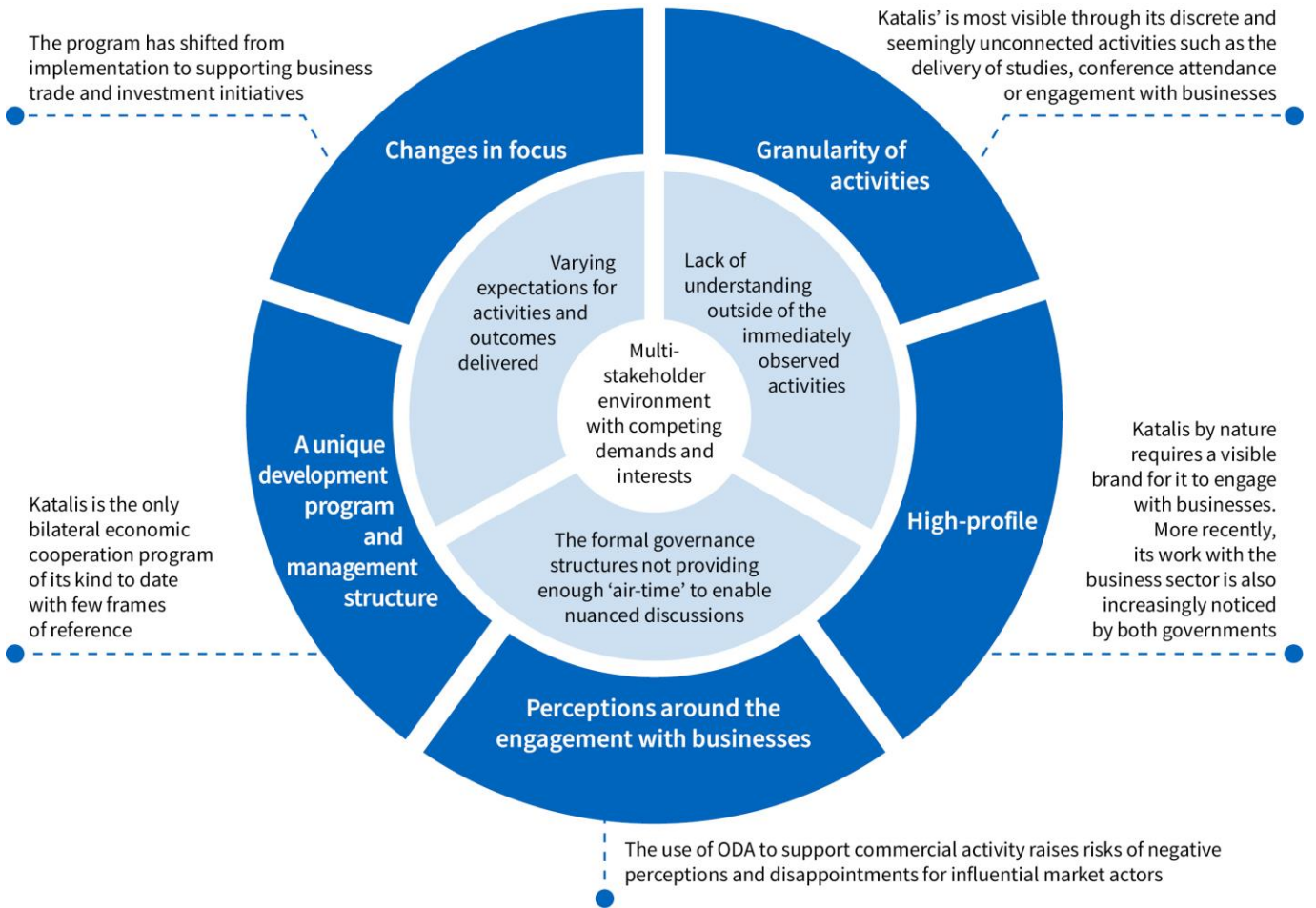
More importantly, this work (again with some exceptions in agriculture and skills) does not appear to have been targeted at, or be likely to achieve, systemic changes that could unlock the pathways for trade and investment for other, less well-resourced businesses. Again, given the expected time path for activities to bring about systemic change, the fact that few such changes have emerged is unsurprising. But the question remains as to how effectively Katalis' activities have been *targeted* at catalysing systemic change as well as helping individual businesses progress on new trade and investment initiatives. These initiatives can demonstrate that there are viable opportunities for commercially viable two-way trade and investment, but few go further to identify and act on broader policy, institutional and market system problems that impede the pursuit and uptake of such opportunities.

The review concludes that this is a consequence of the lack of clarity in the program design and the way the program has had to navigate a diversity of expectations regarding what it should be trying to achieve and how success (particularly in the Market Integration outcome area) should be defined. This situation is complicated by the fact that there appears to be a limited understanding of what the program is about beyond its immediately observable discrete activities. Its strategic framing and underlying goals are poorly understood by stakeholders, partly because the design emerged from a negotiation process linked to reaching an agreement on IA-CEPA, and because the design and other vehicles of communication lack clarity about the program's purpose.

Figure 6 illustrates the combination of factors that result in the visibly complex multi-stakeholder environment that Katalis operates in, with each stakeholder having their interests and possibly competing sets of demands for the program. This is accompanied by an unusual governance/management framework, which finds it hard to mediate the competing expectations and send clear signals to the program regarding priorities.

Figure 6: Katalis, and its multi-stakeholder environment

Katalis Mid-term Review



The risk in such a situation is that the program implementers respond to their interpretation of priorities and cannot always defend themselves against suggestions to allocate effort to activities with low economic return or justification but that meet the political or relational needs of individual stakeholders. Given Katalis' very high profile, there is always a risk that it focuses effort on high visibility announcements at the expense of activities with a less visible but stronger economic and development impact.

9.2 Recommendations for an extension period for Katalis

The current contract for Katalis has a provision for a three-year extension. Regardless of whether this extension is executed, a rethink is required for the program and its intended objectives in light of how it has proceeded to date, and in the context of other Australian government programs and initiatives in Indonesia, including existing economic programs such as Prospera, and the Invested; Australia's Southeast Asian Economic Strategy to 2040. The Review notes that IA-CEPA includes a commitment to economic cooperation in one of its core chapters, so unless both Governments elect to amend the Agreement, they must continue to meet the requirements of that chapter. Some form of contracted support may be required. To this end, any successor phase of Katalis or other vehicle to develop and implement economic cooperation activities must maintain a capacity to be responsive to the committees and structures of IA-CEPA.

Unless both Governments were to contemplate a different means to take forward annual economic cooperation work programs the key question for this Review is not *if* there should be a continuation, but what form it might take given the requirements above and the lessons so far. The key steps towards addressing that question are set out in Table 13.

Table 13: Steps towards considering the second phase of Katalis

No	Steps	Considerations
1	Agreeing on what both Governments (and particularly DFAT, given that it manages program funding) want the program to achieve.	<ul style="list-style-type: none"> Consider how feasible it is to continue to present the implementation of IA-CEPA as the 'core business' of the economic cooperation program. Consider whether Katalis should continue to effectively subsidise individual business activities, and if so, how and for what purpose.
2	Clarifying how the program should operate and what objectives it can reasonably be expected to deliver on.	<ul style="list-style-type: none"> Consider enabling 'checks' in place such as by updating the Investment Criteria to make a more explicit link between a development objective and why Katalis is needed to support businesses. Stakeholders will need to have a shared understanding of what success should look like for Katalis' business engagement activities. Consider the trade-offs between going 'broader' by engaging with a larger range of businesses or 'deeper' by following through with a small pool of businesses into implementing their trade and investment
3	Developing an honest assessment of the appetite both countries and their responsible agencies have for risk.	<ul style="list-style-type: none"> Re-consider the risks around business engagement including perception risks and then determining feasible steps to manage and mitigate them.
4	Deciding if the current shared-services arrangement with another program can continue.	<ul style="list-style-type: none"> Begin early considerations on the shared-services arrangement in place given the staggered timelines of program completion between Katalis and Prospera.

Given the above, DFAT may wish to consider the feasibility of what can be achieved in a three-year extension and if a longer period is required. Should this occur, DFAT may subsequently wish to consider a complete redesign of Katalis and a subsequent going to market in-lieu of an extension. In this event, Katalis' future will need to be considered in the context of the Invested: Australia's Southeast Asian Economic Strategy to 2040 (and the opportunities it provides) as well as the associated redesigns of other development programs in Indonesia.

Regardless of the option selected, discussions and consideration with Gol should be initiated soon and not at the end of the current contracting period. Consultations with business stakeholders indicate that Katalis is reaching a point of generating momentum given its reputation and high-profile, as such, a delay or disruption to its activities (for example, where a pause period would occur) risks losing the good-will and momentum generated with the sector which, in turn, may impeded on its future ability to progress its objectives (assuming that a future Katalis has to maintain a similar, if not, greater engagement with the business sector).

At the time of preparing this report, limited information was available regarding what may happen with regard to implementation of the Invested: Australia's Southeast Asian Economic Strategy to 2040 and possible successors to Prospera and KIAT. However, how they are intended to operate will need to be factored in when considering any future phases of Katalis.

9.2.1 Using private sector engagement to catalyse systemic change and build knowledge

There is ample analysis (from Katalis and other programs) to support the view that without further changes in the regulatory and institutional environment, neither Australia nor Indonesia will realise the economic benefits that IA-CEPA promises. This proposition was explicit in the original design for Katalis and restated in documents such as the Blueprint for Trade and Investment with Indonesia. This Review considers that supporting the implementation and utilisation of the Agreement should remain a central part of the next stage of cooperation under IA-CEPA, and that working with businesses should continue, but with a stronger orientation towards achieving and facilitating systemic change and building the knowledge base to support efforts at regulatory reform. Systemic change encompasses policy and regulatory change but also includes addressing market failures and tackling implicit or informal impediments to more inclusive growth driven by trade and investment between Australia and Indonesia.

The next stage may continue to work with IA-CEPA committees, supporting improvements to market access and implementation proposed by their members. However, it could also work with businesses to better understand and tackle constraints inhibiting enhanced two-way trade and investment. The program would work with businesses and other market actors (such as industry and business associations) to understand and find ways to address the reasons why markets might not be taking advantage of the access, trade and investment opportunities that IA-CEPA should be making available.

The program would use business engagement to build an understanding of the formal and informal institutions and 'rules of the game' that shape market behaviour and experiment with ways of changing attitudes and incentives, managing risk and removing impediments. Once this understanding is built, Katalis can then escalate issues for

consideration by IA-CEPA Committees, or action by programs like Prospera that are equipped to work ‘with the grain’ of policy and institutional reform in Indonesia, or co-investing with businesses to introduce innovation, practices and relationships that would enable enhanced bilateral trade and investment. The primary aim here is not about assisting an individual business, but to address underlying reasons why market forces are not encouraging productive investments and activities that would lead to economic engagement. Success would relate to market system (including policy) changes and not the commercially successful implementation of trade and investment initiatives of individual businesses¹³.

The design of the current phase of Katalis does point to a systemic change objective for activities, and the Investment Criteria do include questions about systemic change. However, the systemic change criterion is but one among many and does not seem to have been systematically applied, and certainly not as an overarching requirement. Some of Katalis’ business engagements have led to activities with a clear line of sight to systemic change or changes in regulatory behaviour, with good examples including the work on accelerating mangosteen exports and facilitating partnerships between Indonesian online platforms and Australian RTOs. But for other engagements, it is not clear what problem Katalis support is helping solve, let alone if the support would lead to systemic change.

To give effect to this proposed change in emphasis would require modifying the current investment criteria to require that any use of ODA grant financing to subsidise the activities of Indonesian or Australian businesses should:

- have a clear development and economic rationale, specifically that it should be addressing a market or institutional failure or have a clear equity or distributional objective,
- record evidence of methodology and results to enable learning and adaptation,
- demonstrate why Katalis’ intervention is necessary for outcomes to occur,
- bring about sustainable changes, usually with a view to ‘crowding in’ other uptake and the confirming the continuation of development outcomes should not be dependent on continued external support,
- target the underlying cause of poor market performance as directly as possible thus minimising consequential market distortions.

Establishing systemic change as the objective for a co-investment may mean that a new Katalis would have to follow through on activities to monitor if change is occurring, and judge if further interventions might be required such as lobbying for regulatory change or to promote further changes in different parts of the value chain. Exit strategies should be designed at the outset. Among other things, such an approach might enable a new Katalis to more easily demonstrate how its work is bearing on Gol’s requests to help MSME development.

9.2.2 Considerations beyond 2025

A key consideration should Katalis be continued in one form or another beyond 2025 concerns the shared services arrangement with Prospera, given its termination in 2026 and the possibility that DFAT may choose to go to market for a successor program.

The shared services arrangement has been quite effective, and it has almost certainly allowed for a more rapid start-up for Katalis (through the shared use of technology and office infrastructure), created operational efficiencies and enabled collaborative analytical work that may have been more difficult to organise if the two programs were fully separated. It also does not seem to have negatively affected Prospera or its brand. However, it is likely that it would have been difficult to put in place if the programs were not being delivered by the same managing contractor.

Separating Katalis from Prospera in the extension period may not necessarily cause harm to either program, but it will involve additional costs and perhaps cause a slowdown in delivery for Katalis as it will need to re-establish its own operational structures (that were previously shared with Prospera) to operate independently alongside new contracts for personnel and some services.

Whatever arrangement is made for Katalis beyond 2025, DFAT will need to calibrate its arrangements for program management to account for the high profile of the Katalis brand. Program management will need to be prioritised and resourced commensurate with the risks that will be taken on, which will likely remain significant if support for businesses remains a component. If DFAT is unable to allocate sufficient resources to management, it then needs to consider if it can proceed with a high visibility/high-risk program.

¹³ Katalis’ Investment Criteria do consider broader systemic and catalytic issues, but the suggestion is that it would be necessary to strengthen this focus and work to improve the understanding of all stakeholders of this point of differentiation.

9.3 Recommendations for the remaining two years

The review's recommendations for the remaining two years of Katalis are as follows. Given that substantive strategic considerations must be made for a future phase of Katalis, the recommendations here largely assume that Katalis progresses as is and are suggestions to resolve critical issues in its current operation and management.

No	Recommendations	Detail
1	Agreeing on a fit-for-purpose program logic for the program	<ul style="list-style-type: none"> As is clear from discussions earlier in this report, the logic presented in the design needs refinement. Standard practice would have required validation of the logic in the early stages of the program when some of the problems with the EOPOs could have been addressed. Further, there should have been an opportunity to refine IOs as experience with implementation is gathered and a shift in program direction unfolds. The design's program logic has issues around the problematic statement of intermediate outcomes that do not reflect what the program is actually doing and what it can reasonably be expected to change. If the logic is not altered, this will mean that any final review will encounter the same difficulties as this Review. Agreeing on the program logic will also require getting a clearer alignment of expectations across different stakeholders. The lack of agreement about what comprises success for the program, particularly for the Market Integration area, is a cause of frustration among stakeholders and conflicting signals for the program team.
2	Developing an effective mode for collaboration between the parts of DFAT with different responsibilities for the program and managing risk.	<ul style="list-style-type: none"> The governance framework for Katalis and the allocation of decision-making across different parts of DFAT can cause issues if there is not up-to-date and effective exchange of information, clarity about expectations, and a means of providing timely responses to the program where working with the private sector and other external stakeholders requires quick decisions. There may be a case for developing a statement of 'ways-of-working' that offers default options where in-time responses cannot be delivered and that spells out how the different parts of DFAT come to grips with the various risks associated with the program.
3	Improving communications with stakeholders.	<ul style="list-style-type: none"> During this Review, it became apparent that some stakeholders had a very limited appreciation of Katalis and the way it works and that some of its key reports were taking a long time to get to recipients. This has created frustration in some cases and also exacerbates the problem of multiple and inconsistent expectations for the program. Part of this problem is a result of the multiplicity of stakeholders that follow inevitably from the program being linked to IA-CEPA and its institutional arrangements. As part of the consideration of the effective mode for collaboration (see recommendation 2), stakeholders should agree on information needs and the roles and responsibilities for communications and information sharing.
4	Working on an approach to dealing with the shared services arrangement with Prospera	<ul style="list-style-type: none"> Embedding Katalis within Prospera has been reasonably successful and key to this success is that both are administered by the same managing contractor. Should Katalis be extended for a further three-year period beyond 2025, considerations need to be made for the shared services arrangement given Prospera's end date scheduled for 2026. Should a new managing contractor be selected for Prospera, the succeeding shared services arrangement will need to be appropriately planned and prepared for through contractual arrangements, with performance incentivised and monitored in both program's performance assessment frameworks. This preparatory activity should be ideally be undertaken in the next two year period before the end of the current phase of Katalis.

Annex A: Katalis' Governance Framework

A.1 Governance and management

Katalis' institutional structures and responsibilities for governance have been set out in the program's Standard Operating Procedures (dated September 2022). It specifies the roles and responsibilities of Katalis, IA-CEPA committees and coordinating bodies from the Governments of Australia and Indonesia. It also specifies key management activities and processes. The institutional structures, their functions and responsibilities are specified in Table A.1.

Table A.1: Katalis program governance arrangements

Structure	Description	Roles and responsibilities
IA-CEPA Joint Committee (JC)	<p>The JC forms the highest and most strategic decision-making forum for Katalis and is co-chaired by the Ministry of Trade (representing the Government of Indonesia) and DFAT (representing the Australian Government).</p> <p>The JC also oversees various IA-CEPA committees and sub-committees to guide the implementation of IA-CEPA commitments.</p>	<p>The JC meets once a year. Its functions include:</p> <ul style="list-style-type: none"> The provision of policy and strategic direction for Katalis and the broader IA-CEPA <p>Approving the Katalis annual work plan (AWP, see below), and any amendments</p> <ul style="list-style-type: none"> Approving changes to any strategic documentation including: <ul style="list-style-type: none"> Strategic documents Changes to breakthrough area activities Katalis' total budget for the AWP Changes to the AWP before the relevant annual Handover Report is submitted. Reviewing, discussing and resolving program management issues that cannot be resolved by the Economic Cooperation Committee.
Economic Cooperation Committee (ECC)	<p>The ECC is an advisory body that considers and recommends matters for approval to the JC. It is co-chaired by Bappenas and DFAT. It is also attended to by the Indonesian Ministry of Foreign Affairs and the Indonesian Ministry of Trade.</p>	<p>The ECC meets annually in advance of the scheduled JC meeting however, the ECC may also convene out-of-session meetings to discuss beneficiary activity proposals or other matters.</p> <p>Its functions include:</p> <ul style="list-style-type: none"> Developing medium-term objectives as a guideline for the development of the Katalis AWP for consideration and approval by the JC Reviewing the Katalis AWP for consideration and approval by the JC, including assistance to coordinate and prioritise proposals for economic cooperation activities (under Market Access) Reviewing the Katalis Annual Report from the prior year's activities and submitting that report to the JC Overseeing and reviewing the implementation of the Katalis AWP to assess its effectiveness and contribution to the implementation of IA-CEPA Working with other IA-CEPA Committees and subsidiary bodies to establish and maintain effective communication and coordination on economic cooperation activities Resolving issues and concerns about the implementation of the AWP as required.
Katalis	<p>The program itself, referred to as the 'Collaborative Hub' represents the program as managed by DT Global and supported by EY, AsiaLink and Equity Economics.</p>	<p>Katalis is ultimately responsible for the design and implementation of the agreed activities as outlined in the AWP.</p> <p>Its key functions to support the governance include:</p> <ul style="list-style-type: none"> Providing secretariat support to the ECC Drafting strategic documents to support the implementation of the program Developing activities for consultation with Coordinators and to be included in the AWP Communication and socialisation of the program and activities to all relevant stakeholders Drafting the AWP for submission to the ECC for recommendation to approve to the JC Preparing proposals for changes to the substance and total budget for the Katalis AWP to be consulted with the ECC for approval by the JC

Structure	Description	Roles and responsibilities
		<ul style="list-style-type: none"> Preparation of reports including the Handover Reports (an assessment of Katalis’ funding expenditure based on the budget in the approved AWP) and six monthly progress reports.
Program Coordinators and Vice Coordinators	Coordinators appointed by Bappenas to provide advisory support and guidance for its activity focus areas. DFAT may also provide advisory support and guidance on behalf of the Australian Government.	Coordinators will provide advisory support for Katalis as required and are available for consultation when developing the AWP and any out-of-session requests.

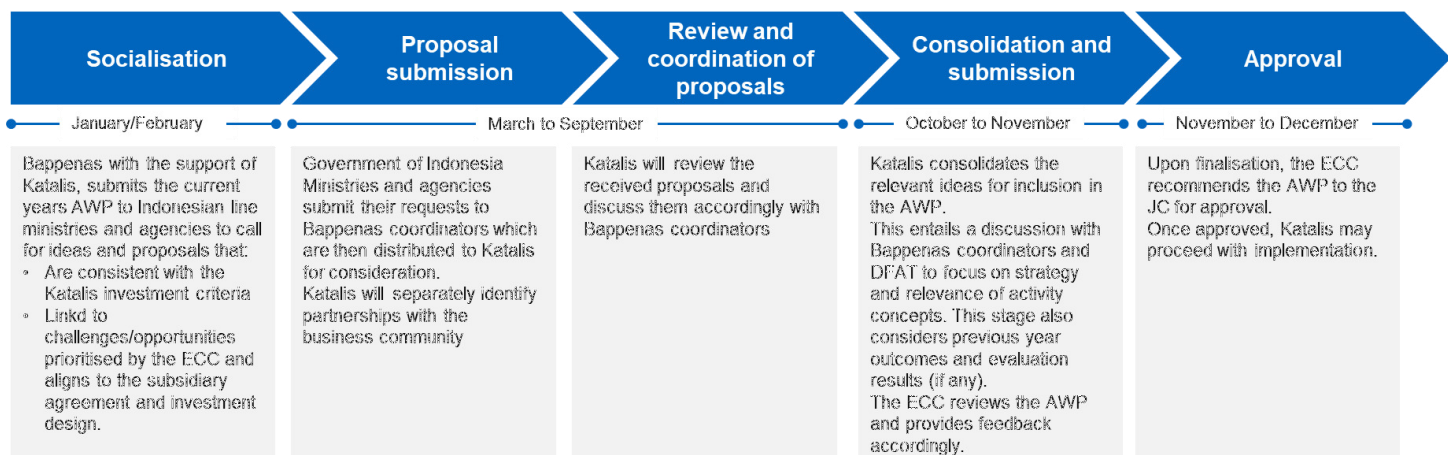
Source: Adapted from the Katalis Standard Operating Practices, September 2022

A.2 Process to develop, approve and amend the AWP

The Katalis AWP sets out the overarching strategic activities and priorities to be implemented over an upcoming calendar year (January to December). It includes an estimated budget to implement them. These activities would be developed through stakeholder consultation with the relevant GoI and Australian Government stakeholders. A key requirement for any AWP activities is that they must be consistent with Katalis’ investment criteria or be explicitly linked to a challenge or opportunity prioritised by the ACC in alignment with the subsidiary agreement and the investment design document.

The process and sequence by which an AWP is developed are shown in Figure A.1.

Figure A.1: Katalis AWP development process



Source: Adapted from the Katalis Standard Operating Practices, September 2022

Barring some exceptions, the AWP generally sets out the program’s annual plan as broad groups of activities. Katalis is given the ability to develop detailed activity plans, however, the Standard Operating Practices require that Katalis:

- Drafts Activity Proposals and terms of reference as relevant before proceeding with procurement,
- Consults as necessary with the relevant stakeholders and coordinators from both countries, ensuring that activities align with the overarching goal and any one or more EOPO,
- Beneficiary activities must meet the seven Investment Criteria.

Undertake due diligence.

The approval of these detailed activities, in particular beneficiary activities, are largely undertaken through the program’s out-of-session process. To be able to be considered by an out-of-session process, an activity must:

- Be time-sensitive or urgent,
- Begin before ECC endorsement of the following year’s AWP,
- Score highly against Katalis Investment Criteria or explicitly link to another challenge/opportunity prioritised by the ECC.

It is unclear from the Standard Operating Practices, however, whether all three of the above requirements must apply or whether meeting one is sufficient. Once ‘qualified’ out of session considerations are made based on the funding size of the activity.

Annex B: Review Framework

Table B.1 sets out the detailed review framework that guided the implementation of the Katalis Mid-term review.

Table B.1: Detailed Review Framework

Key question: 1) What evidence is there that Katalis can achieve the Intermediate and End of Program Outcomes by 2025? (priority question)

No	Sub-question	Lines of enquiry	Data analysis	Stocktake/process	Consultations
1a	To what extent does the program play an influential role in strengthening two-way trade and investment between Indonesia and Australia?	<ul style="list-style-type: none"> • What is Katalis doing to maximize the benefit of IA-CEPA's commitment? Is their support useful? • How is Katalis engaging with the IA-CEPA's sub-committees? • Is there evidence that Katalis' support advances IA-CEPA's implementation (e.g. Katalis enabled new policies to be adopted or commitments via side letters)? • What is Katalis doing to promote IA-CEPA? Who is it reaching and who is it not reaching? • How does Katalis interact with other available free trade agreements? • Could IA-CEPA's implementation advance without Katalis' support? • How does Katalis' activities influence two-way trade and investment between Indonesia and Australia? • How does Katalis monitor its influence in strengthening two-way trade and investment between Indonesia and Australia • To what extent does the program supported the implementation of IA-CEPA's commitments? 	<p>Analysis of KPIs related to:</p> <ul style="list-style-type: none"> • Powerhouse opportunities • Commercial partnerships • New market access opportunities • Government commitments • Bilateral business strategies • GESI benefit awareness • Outreach and promotion 	<ul style="list-style-type: none"> • IA-CEPA analytical/advisory activities stocktake. • Katalis outreach/promotion stocktake. 	<ul style="list-style-type: none"> • DFAT Jakarta Embassy – Economic and Trade Unit • DFAT Jakarta Embassy – Economic Governance • DFAT – Free Trade Agreement and Stakeholder Engagement Division • DFAT – Southeast Asia Maritime Division (Indonesia Branch) • DFAT – Consulate Generals of Surabaya, Bali and Makassar • Department of Agriculture, Fishery and Forestry (DAFF) • Katalis • BAPPENAS • Ministry of Trade • Ministry of Foreign Affairs • Austrade • Select stakeholders from IA-CEPA sub committee • Indonesian Investment Coordinating Board (BKPM) • Indonesian Chamber of Commerce and Industry (KADIN) • Indonesia Australia Business Council (IABC) • Australia Indonesia Business Council (AIBC)

No	Sub-question	Lines of enquiry	Data analysis	Stocktake/process	Consultations
					<ul style="list-style-type: none"> Embassy of Indonesia, Canberra Private sector participants (outreach).
1b	To what extent does the program catalysed new and existing economic partnership and commercial relationships?	<ul style="list-style-type: none"> How does Katalis conceptualise or define catalysis in this context? What are the newly catalysed economic partnerships? How does Katalis' activities catalyse these partnerships? What is Katalis doing to maximise the diversity of these partnerships – this can be diversity of participating businesses or people within those businesses (women, people with disability or other marginalised groups). How does Katalis enable a systemic impact beyond the immediate beneficiaries of Katalis' activities and support? How will this be measured? Could these partnerships occur without Katalis? How does Katalis monitor the extent that it catalyses economic partnerships? <p><i>Note that sub-question 2a will also help inform this sub-question</i></p>	<p>Analysis of KPIs related to:</p> <ul style="list-style-type: none"> Powerhouse opportunities Commercial partnerships New market access opportunities Bilateral business strategies Economic opportunities for women and people living with disability GESI benefit awareness Outreach and promotion 	<ul style="list-style-type: none"> Stocktake of Katalis partnership brokering/catalysing activities 	<ul style="list-style-type: none"> Katalis Private sector (catalysed partners)
1c	To what extent does the program contribute to progress towards the objectives of DFAT's Indonesia Covid-19 Development Response Plan (CRP)?	<ul style="list-style-type: none"> How has COVID-19 impacted Katalis' implementation and achievement of its objectives? To what extent has Katalis contributed to the CRPs economic recovery priority: <ul style="list-style-type: none"> Is it helping build skills to meet industry needs? Is it contributing to the economic empowerment of women, and people with disabilities? Is it supporting economic recovery through increased bilateral trade and investment? 	<ul style="list-style-type: none"> Analysis of KPIs aligned to DFAT's COVID-19 Development Response Plan PAF. 	<i>No applicable stocktake activity</i>	<ul style="list-style-type: none"> Katalis DFAT Jakarta Embassy – Economic and Trade Unit DFAT Jakarta Embassy – Economic Governance DFAT – Free Trade Agreement and Stakeholder Engagement Division DFAT – Southeast Asia Maritime Division (Indonesia Branch) <p><i>Note that analysis of sub-questions 1a, 1b, 1d and 1e will also contribute to this sub-question.</i></p>

No	Sub-question	Lines of enquiry	Data analysis	Stocktake/process	Consultations
1d	What evidence is there that DFAT's priority on GESI is being implemented effectively across all parts of the program?	<p>Diversity and inclusion of Katalis:</p> <ul style="list-style-type: none"> How have GESI objectives been reflected in the recruitment of the Katalis team? <p>Diversity and inclusion of Katalis' activities:</p> <ul style="list-style-type: none"> How is GESI implemented into Katalis' activities? What is the progress of these activities? What are the GESI activities provided to businesses? How useful are these activities? How strongly has the GESI criteria been applied/adhered to when investment proposals were evaluated? <p>Diversity and inclusion of the partnerships enabled by Katalis:</p> <ul style="list-style-type: none"> How diverse are the business partnerships in terms of their inclusion of women and people with disability - Are there clear examples of women-run businesses participating in partnerships and enabled by Katalis? Are there examples of women and people with disability accessing economic opportunities? Can any of the highlighted examples above occur without Katalis? 	<p>Analysis of KPIs related to:</p> <ul style="list-style-type: none"> Economic opportunities for women and people living with disability GESI benefit awareness. <p>Analysis of:</p> <ul style="list-style-type: none"> Katalis team structure (by gender). 	<ul style="list-style-type: none"> Stocktake of GESI activities Stocktake of initiatives to enable diversity and inclusion in recruitment and retention. 	<ul style="list-style-type: none"> Katalis National Disability Committee Chief executive women Australia Indonesia Business Coalition for Women Empowerment (IBCWE)
1e	To what extent does the program contributed to the upskilling of the Indonesian labour market?*	<ul style="list-style-type: none"> What is Katalis doing to enable a skills uplift? Are the skills being developed relevant to government and business needs? How is Katalis ensuring this relevance? How is Katalis increasing supply and demand of skill development activities? What are the increased GESI upskilling opportunities? How have GESI approaches been integrated into upskilling opportunities? Can any of the identified uplift in skills occur without Katalis? 	<p>Analysis of KPIs related to:</p> <ul style="list-style-type: none"> TVET and training investment Course enrolments and completion. <p>Analysis of Indonesian businesses taking up training opportunities enabled through Katalis' activities, including any increased GESI upskilling opportunities</p>	<ul style="list-style-type: none"> Stocktake of Katalis activities that contribute to skills uplift 	<ul style="list-style-type: none"> DFAT Jakarta Embassy – Economic and Trade Unit DFAT Jakarta Embassy – Economic Governance Private sector (education providers) Private sector (training recipients) BAPPENAS Ministry of Manpower

Key question: 2) Has Katalis implementation to date reflected Indonesia and Australia's priorities or interests? If so, in what ways?

No	Sub-question	Lines of enquiry	Data analysis	Stocktake/process	Consultations
2a	To what extent do the program activities fit coherently within the Katalis investment criteria and/or the IA-CEPA agreement?	<ul style="list-style-type: none"> How have the investment criteria been applied in practice to select investment activities? How well do selected businesses fit with the criteria? What criteria are usually the strongest and weakest? What are the features of the investment activities that are 'successful' and those that are not? Are the investment criteria appropriate to maximise the benefits of IA-CEPA? 	<ul style="list-style-type: none"> Assessment of 'successful' and 'unsuccessful' partnerships/business proposals 	<ul style="list-style-type: none"> Process analysis of how the investment criteria was applied to select investment activities. 	<ul style="list-style-type: none"> Katalis Private sector (catalysed partners) Private sector ('unsuccessful' proposal developers)
2b	To what extent does the program modality enable sufficient flexibility for changing circumstances and responsiveness to Indonesian and Australian government needs?	<ul style="list-style-type: none"> What is the governance arrangement for Katalis – what is the interaction between the IA-CEPA JC, ECC and the collaborative hub? What is the level of coordination and communication between Post, Canberra, and Katalis? How does Katalis' operation work in practice, in particular, the collaboration with Prospera? Is this a barrier or enabler of flexibility? Given its structure and interactions, is Katalis flexible and responsive? Can it be improved and if so, what are the implications to the program's modality? How aligned are expectations of Katalis' immediate priorities and the ways of working between Katalis and its stakeholders? How has the 'collaborative hub' concept evolved throughout the implementation of Katalis to date? Are there examples of the program successfully adapting its initiatives to suit the unique conditions of different regions within Indonesia and Australia? 	<i>No applicable data analysis</i>	<ul style="list-style-type: none"> Mapping of Katalis/Prospera shared functions. 	<ul style="list-style-type: none"> Katalis DFAT Jakarta Embassy – Economic and Trade Unit DFAT Jakarta Embassy – Economic Governance DFAT – Free Trade Agreement and Stakeholder Engagement Division DFAT – Southeast Asia Maritime Division (Indonesia Branch) DFAT – Consulate Generals of Surabaya, Bali and Makassar BAPPENAS Ministry of Trade Prospera
2c	Is the current budget envelope and its distribution across the different component parts of the program considered appropriate or inappropriate to achieve the program's objectives?	<ul style="list-style-type: none"> How has Katalis' budget been distributed to support the various activities that enable its intermediate and end of program outcomes 2025? How is the allocation of budget determined/distributed? Is there a criteria and decision-making framework to enable this? Have the program's resources, including funding and personnel, been allocated in a way that maximizes the impact of its activities? Is there a use of non-ODA funding? Could these funded activities have been undertaken differently or more efficiently? Have the program's resources, including funding and personnel, been allocated in a way that maximizes the impact of its activities? 	<ul style="list-style-type: none"> Program budget analysis 	<i>No applicable stocktake activity</i>	<ul style="list-style-type: none"> Katalis

No	Sub-question	Lines of enquiry	Data analysis	Stocktake/process	Consultations
2d	How does the program complement private sector partners (including those that provides market access, partnership brokering and training services) and other DFAT investments? Is there any overlap?	<ul style="list-style-type: none"> How does Katalis interact with other investments in Indonesia such as Australia Awards, Investing in Women, and RT4D? - How does Katalis' activities interact with both government agencies with trade and investment responsibilities or the private sector that provides market access, partnership brokering and training services? Has Katalis caused an unintended consequence of crowding out commercial suppliers of comparable services? What has Katalis done to minimise duplication of efforts and resources, especially when working in collaboration with other DFAT funded initiatives? 	<i>No applicable data analysis</i>	<ul style="list-style-type: none"> Mapping of Katalis' activities against investments. 	<ul style="list-style-type: none"> Katalis Austrade BAPPENAS Other DFAT funded programs as appropriate Indonesian Trade Promotion Center (ITPC) Indonesia Investment Promotion Center (IIPC)
2e	What are the key strategic issues related to Katalis that is keeping both government occupied?	<ul style="list-style-type: none"> What are stakeholder's perceptions/expectations around Katalis? Do these need to be managed? 	<ul style="list-style-type: none"> Analysis of annual partnership review report 	<i>No specific applicable stocktake activity</i>	<ul style="list-style-type: none"> DFAT Jakarta Embassy – Economic and Trade Unit DFAT Jakarta Embassy – Economic Governance DFAT – Free Trade Agreement and Stakeholder Engagement Division DFAT – Southeast Asia Maritime Division (Indonesia Branch) DFAT – Consulate Generals of Surabaya, Bali and Makassar Katalis BAPPENAS Austrade Ministry of Trade
				<i>Note that sub-questions 2d and 2f will also address this sub-question by identifying Katalis' coherence and relevance</i>	
2f	How is Katalis aligned to the Australian Government and the Government of Indonesia's priorities?*	<ul style="list-style-type: none"> What are the key priorities advanced by Katalis? To what extent does the program's objectives align with the current economic and developmental priorities of Indonesia and Australia? 	<ul style="list-style-type: none"> Analysis of original strategic intent for Katalis 	<i>No applicable stocktake activity</i>	<ul style="list-style-type: none"> Katalis BAPPENAS Ministry of Trade

No	Sub-question	Lines of enquiry	Data analysis	Stocktake/process	Consultations
		<ul style="list-style-type: none"> Does the program's activities directly contribute to the growth and development goals of Indonesia and Australia? What are (if any) Indonesia's unmet trade and investment and skills development priorities? Can these be realistically advanced by Katalis? 			<ul style="list-style-type: none"> DFAT Jakarta Embassy – Economic and Trade Unit DFAT Jakarta Embassy – Economic Governance DFAT – Free Trade Agreement and Stakeholder Engagement Division DFAT – Southeast Asia Maritime Division (Indonesia Branch) DFAT – Consulate Generals of Surabaya, Bali and Makassar
2g	What has changed in the program since it was first developed under the initial design in 2019? Why were the changes are needed?	<ul style="list-style-type: none"> What are the changes made to the program since its initial design? What was the most substantive change? What were the drivers of this change? How do the changes impact Katalis' abilities to achieve its intended outcomes? 	<ul style="list-style-type: none"> Katalis Investment Design Document Katalis Progress Reports 	<i>No applicable stocktake activity</i>	<ul style="list-style-type: none"> Katalis

Key question: 3) Have Katalis' monitoring and evaluation practices provided adequate evidence for performance assessments?

No	Sub-question	Lines of enquiry	Data analysis	Stocktake/process	Consultations
3a	To what extent do they support program's decision-making?	<ul style="list-style-type: none"> How has Katalis provided information and evidence to support its governance, planning and decision-making? How useful is the information provided by Katalis for decision-making? Is it informative, actionable and timely? Have there been instances where adjustments were made based on the findings from Katalis' monitoring and evaluation activities? To what extent has feedback from stakeholders, including beneficiaries and partners, been integrated into the monitoring and evaluation processes? 	<ul style="list-style-type: none"> Analysis of governance meeting minutes and follow-up actions. 	<i>No applicable stocktake activity</i>	<ul style="list-style-type: none"> Katalis BAPPENAS Ministry of Trade DFAT Jakarta Embassy – Economic and Trade Unit DFAT Jakarta Embassy – Economic Governance
3b	How does Katalis apply MEL to assess its progress?	<ul style="list-style-type: none"> What are the measurable indicators used by Katalis to monitor its progress and how have these been used to date? To what extent does Katalis' MEL assess its ability to achieve its intended outcomes and impact? 	<ul style="list-style-type: none"> Katalis MEL Plan Review of the Monitoring, Evaluation and Learning Plan 	<i>No applicable stocktake activity</i>	<ul style="list-style-type: none"> Katalis

No	Sub-question	Lines of enquiry	Data analysis	Stocktake/process	Consultations
		<ul style="list-style-type: none"> To what extent has feedback from stakeholders, including beneficiaries and partners, been integrated into the monitoring and evaluation process? How does Katalis intend to attribute its contributions to the broader outcomes around trade and investment? 			

Key question: 4) How could Katalis implementation be improved going forward and how should DFAT proceed beyond the first five-year phase of Katalis.

Sub-question	Lines of enquiry	Data analysis	Stocktake/process	Consultations
4a What lessons are there from the program's performance to date that can improve the implementation of the program over its remaining two and a half years?	<ul style="list-style-type: none"> Are there any emerging priorities or opportunities that the program might capitalise on in the future? Were there specific strategies that were less effective and should be reconsidered in future programming? What were the most significant challenges encountered during the program's implementation? Based on the current progress and lessons learned, what adjustments or refinements has Katalis already considered or made? 		<i>Lessons learned will be drawn from the findings of the above key questions. The lines of enquiries are themselves not necessarily aimed at stakeholders but instead, are to frame the Review's considerations.</i>	
4b What lessons are there from the design and implementation of the program that can inform future DFAT programs related to trade agreements?	-	-	-	-
4c How has Katalis considered the sustainability of its activities?	<ul style="list-style-type: none"> What is Katalis' approach to ensure the ongoing sustainability of its activities? What does sustainability look like in the context of Katalis' activities? 	<ul style="list-style-type: none"> Katalis Sustainability Strategy 	<i>No applicable stocktake activity</i>	<ul style="list-style-type: none"> Katalis

Annex C: Mid-term Review Data Collection

Below are the documents reviewed to inform this Mid-term Review:

- Katalis Design Document
- Katalis Annual Work Plans for 2022 and 2023
- Katalis MEL Plan and Framework
- Katalis GEDSI Strategy
- Katalis Business Engagement Strategy
- Katalis Sustainability Strategy
- Katalis Six-Monthly Reports (from inception up to June 2023)
- Standard Operating Practices (SOP) between DFAT, Bappenas and Katalis
- A sample of Katalis Economic Cooperation Committee's Meeting Minutes
- Partner Performance Assessments (PPAs) and Investment Manager Reporting (IMR)
- Katalis/PROSPERA Operations Manual
- Katalis Risk Management Plan and Register
- COVID-19 Response Plan and associated Performance Assessment Frameworks (PAF)
- Katalis Activity proposals and input completion reports
- A selection of Katalis' key analytical outputs including: The Regulatory Gap Analysis; The Bilateral Opportunity Assessments; Comparative Assessment of Nursing Standards between Indonesia and Australia; IA-CEPA Utilisation Study; IA-CEPA Impact on Indonesia's National Medium-Term Plan (RPJMN); Skills Development Exchange Review; Katalis Longitudinal Study Baseline Report; and Annual Partnership Review 2022

Consultations through semi-structured interviews formed a key basis for the Review, this was undertaken either through in-person or online meetings. In-person interviews were conducted in Jakarta over a two-week period in September 2023. See Table C.1.

Table C.1: Stakeholders consulted for the Mid-term Review

Stakeholder group	Organisation (in alphabetical order)
Australian Government	<ul style="list-style-type: none"> • AusTrade • Australian Government Department of Agriculture, Fisheries and Forestry • Australian Government Department of Education • DFAT – Australian Embassy Indonesia - Economic and Trade Unit • DFAT – Australian Embassy Indonesia - Economic Governance • DFAT – Consul Generals of Makassar, Surabaya and Bali • DFAT – Free Trade Agreement and Stakeholder Engagement Division (FSD) • DFAT – Indonesia branch (INB)
Government of Indonesia	<ul style="list-style-type: none"> • BAPPENAS – Food and Agriculture Directorate • BAPPENAS – Industry, Tourism and Creative Economy Directorate • BAPPENAS – Manpower Directorate • BAPPENAS – Trade, Investment and International Economic Cooperation Directorate • Indonesian Ambassador to Australia • Indonesian Trade Attache • Ministry of Industry – Standardisation and Industrial Services Policy Agency • Ministry of Investment – Indonesian Investment Promotion Centre • Ministry of Trade – Bilateral Trade Directorate • Ministry of Trade – Indonesia Trade Promotion Centre • Ministry of Trade – Service Trade Negotiation Directorate • National Standardisation Agency
Katalis Program	<ul style="list-style-type: none"> • Katalis Director, Deputy Director and leads for breakthrough areas

Stakeholder group	Organisation (in alphabetical order)
Businesses engaging with Katalis	<ul style="list-style-type: none"> • Binus Centre • Energy Storage Industries Asia Pacific • Global Pratama Wijaya • Grains Australia • Gunung Raja Paksi • Melbourne Polytechnic • Pipiltin Cocoa • Sanusa Medika • Simplr Health • Privy
Other organisations/stakeholders	<ul style="list-style-type: none"> • Asialink • Australia Awards Indonesia • Australia Indonesia Business Council • Beanstalk • Engineers Association of Indonesia • Equity Economics • Indonesia Business Coalition for Women Empowerment • Indonesia Australia Business Council • Investing in Women • La Trobe University • National Disability Committee • PROSPERA • Svara Institute

Annex D: Katalis' work on IA-CEPA side letters

Katalis has supported the progress of IA-CEPA's implementation by focussing on the implementation of the Agreement's side-letters. Progress against the side-letters are made by all three breakthrough areas as detailed in Table D.1.

Table D.1: Katalis' work on IA-CEPA side letters by the three breakthrough areas

IA CEPA Side letters			Katalis support		
Relevant letter or MOU	Priority area	Main components	Market Access	Market Integration	Skills for Recovery
Annex to Side Letter on Economic Cooperation	Building technical and human capacity in agricultural and industrial production and management to improve productivity (Advanced Manufacturing, Grains, Live Cattle, Horticulture [Fresh Fruits and vegetables], Sugarcane, Food and Beverages)	Knowledge and information sharing in a range of sectors	<ul style="list-style-type: none"> EV Scoping Study Grains Scoping Study 	<ul style="list-style-type: none"> On-line grain technology and mill processing program Grains value chain leadership program. Grains Value Chain and Advanced Manufacturing (EV Charging Infrastructure) Business Fora 	-
Annex to Side Letter on Economic Cooperation	Building technical and human capacity in agricultural and industrial production and management to improve productivity (Advanced Manufacturing, Grains, Live Cattle, Horticulture [Fresh Fruits and vegetables], Sugarcane, Food and Beverages)	Training and technical assistance to facilitate product quality control in agreed areas through training courses for government and industry stakeholders as determined.	-	<ul style="list-style-type: none"> Support to IAQA to audit irradiation facilities in Indonesia 	<ul style="list-style-type: none"> Potential Horticulture Partnership
Annex to Side Letter on Economic Cooperation	Building technical and human capacity in agricultural and industrial production and management to improve productivity (Advanced Manufacturing, Grains, Live Cattle, Horticulture [Fresh Fruits and vegetables], Sugarcane, Food and Beverages)	Cooperation activities to promote investment in supply chains to improve quality of goods to domestic/international markets.	-	<ul style="list-style-type: none"> Cocoa Pilot Design Mangosteens Situational Analysis Supporting single source chocolate producers expand exports Support to irradiation facility for Mangosteens 	-

IA CEPA Side letters			Katalis support		
Annex to Side Letter on Economic Cooperation	Promotion and Innovation to improve competitiveness (Food, Drug and Herbal Products, Creative Industry [for example Fashion and Jewellery], Tourism, Trade, and Investment promotion and Horticulture [Fresh	Capacity building in trade and investment promotion between the parties and third markets for selected sectors	-	-	-
Annex to Side Letter on Economic Cooperation	Promotion and Innovation to improve competitiveness (Food, Drug and Herbal Products, Creative Industry [for example Fashion and Jewellery], Tourism, Trade, and Investment promotion and Horticulture [Fresh	Building industry association linkages to promote private sector capacity in communications, advocacy and promotion.	-	-	-
Annex to Side Letter on Economic Cooperation	Fruits and Vegetables)) SPS – strengthening quarantine and biosecurity (Live Cattle, Horticulture [Fresh Fruits and Vegetables] across selected export products).	Targeted training and technical assistance to strengthen biosecurity and quarantine system in selected sectors	-	<ul style="list-style-type: none"> Support to IAQA to audit irradiation facilities in Indonesia Support to irradiation facility for Mangosteens 	-
Annex to Side Letter on Economic Cooperation	Fruits and Vegetables)) SPS – strengthening quarantine and biosecurity (Live Cattle, Horticulture [Fresh Fruits and Vegetables] across selected export products).	Technical assistance and support to identify new products for export and approaches to supporting industry meeting SPS requirements	-	<ul style="list-style-type: none"> Mangosteens Situational Analysis 	-
	Fruits and Vegetables)) SPS – strengthening quarantine and biosecurity (Live Cattle, Horticulture [Fresh Fruits and Vegetables] across selected export products).	Information sharing and training on resolving issues with quarantine and biosecurity breaches and avenues for advice on treatment options to resolve issues.	-	-	-
Annex to Side Letter on Economic Cooperation	TBT - promote further standards harmonisation and support product compliance (Food and Beverages, Pharmaceutical Products, Herbal Products, Traditional Medicine, Textile and Clothes, Footwear, Advanced Manufacturing and Component Industries, Medical Devices, Digital Trade/E-commerce).	Risk management capacity building in agreed sectors	<ul style="list-style-type: none"> Aligning standards (agri-products, pharma and herbal products) 	-	-

IA CEPA Side letters			Katalis support		
Annex to Side Letter on Economic Cooperation	TBT - promote further standards harmonisation and support product compliance (Food and Beverages, Pharmaceutical Products, Herbal Products, Traditional Medicine, Textile and Clothes, Footwear, Advanced Manufacturing and Component Industries, Medical Devices, Digital Trade/E-commerce).	Joint research project to develop a model for harmonisation, guided by (early outcome) joint Standards Mapping Project that identifies useful areas of convergence based on existing systems, bilateral trade flows and points of emerging trade interests.	<ul style="list-style-type: none"> Aligning standards (agri-products, pharma and herbal products) 	-	-
Annex to Side Letter on Economic Cooperation	TBT - promote further standards harmonisation and support product compliance (Food and Beverages, Pharmaceutical Products, Herbal Products, Traditional Medicine, Textile and Clothes, Footwear, Advanced Manufacturing and Component Industries, Medical Devices, Digital Trade/E-commerce).	Short courses to build on (early outcome) first round of courses of food, drugs and well-being products – on Australia and Indonesian standards regimes	<ul style="list-style-type: none"> Aligning standards (agri-products, pharma and herbal products) 	-	-
Annex to Side Letter on Economic Cooperation	TBT - promote further standards harmonisation and support product compliance (Food and Beverages, Pharmaceutical Products, Herbal Products, Traditional Medicine, Textile and Clothes, Footwear, Advanced Manufacturing and Component Industries, Medical Devices, Digital Trade/E-commerce).	Promote information sharing and access to pre-market, standards, and conformity assessment.	<ul style="list-style-type: none"> Aligning standards (agri-products, pharma and herbal products) 	-	-
Annex to Side Letter on Economic Cooperation	Improve the capacity of Small and Medium-sized Enterprises (SMEs) to utilise IA-CEPA (Food and Beverages, Pharmaceutical Products, Herbal Products, Traditional Medicine, Creative Industry [for example Handicrafts, Fashion and Jewellery]).	Training to support administration of SMEs in the agreed sectors through: workshops, seminars and trade conferences in targeted areas; and private sector engagement and public education campaigns	-	-	-
Annex to Side Letter on Economic Cooperation	Improve the capacity of Small and Medium-sized Enterprises (SMEs) to utilise IA-CEPA (Food and Beverages, Pharmaceutical Products, Herbal Products, Traditional Medicine, Creative Industry [for example Handicrafts, Fashion and Jewellery]).	Training to support product development and export capacity for SMEs in agreed sectors through technical aspects of exporting to Australia and third-party markets	<ul style="list-style-type: none"> Aligning standards (agri-products, pharma and herbal products) 	-	-
Annex to Side Letter on	Improve the capacity of Small and Medium-sized Enterprises (SMEs) to utilise IA-CEPA (Food and Beverages,	Support training for women entrepreneurs in agreed sectors.	<ul style="list-style-type: none"> Aligning standards (agri-products, pharma 	-	-

IA CEPA Side letters		Katalis support		
Economic Cooperation	Pharmaceutical Products, Herbal Products, Traditional Medicine, Creative Industry [for example Handicrafts, Fashion and Jewellery]).		and herbal products)	
Annex to Side Letter on Economic Cooperation	Improve the capacity of Small and Medium-sized Enterprises (SMEs) to utilise IA-CEPA (Food and Beverages, Pharmaceutical Products, Herbal Products, Traditional Medicine, Creative Industry [for example Handicrafts, Fashion and Jewellery]).	Publication of tariffs, non-tariff measures, charges and rules for exporters utilising IA-CEPA.	<ul style="list-style-type: none"> Aligning standards (agri-products, pharma and herbal products) 	-
Annex to Side Letter on Economic Cooperation	Communication and coordination	Cooperation to strengthen communication and coordination between the Parties.	-	-
Annex to Side Letter on Economic Cooperation	Communication and coordination	Sharing of information and data relating to IA-CEPA implementation to build public awareness and understanding as well as promotion of IA-CEPA to industry and domestic stakeholders.	<ul style="list-style-type: none"> Online and offline awareness raising 	-
Annex to Side Letter on Economic Cooperation	Supporting growth in the tourism sector	Human capacity building through, but not limited to: training in related tourism industries; and technical advice on tourism promotion and campaigns.	-	<ul style="list-style-type: none"> Support to Desa Wisata Tourism Businesses through Traveloka Business Partnership
Annex to Side Letter on Economic Cooperation	Supporting growth in the tourism sector	Assistance and cooperation with the development of new tourism destinations including, for example, through technical assistance in support of the 10 New Balis initiative.	-	<ul style="list-style-type: none"> Support Borobudur Tourism Area Support other super priority tourism areas (e.g., Lake Toba, Likupang)
Annex to Side Letter on Economic Cooperation	Improve capacity of Indonesia's Technical and Vocational Education and Training (TVET) system to boost standards and global competitiveness of Indonesian workers	Cooperation to develop a Government of Indonesia TVET Committee responsible for national coordination of TVET; developing national TVET standards; and, incentivising Indonesian industry to participate in TVET.	-	<ul style="list-style-type: none"> Clearing House Scoping Study IA Skills Exchange cont. Other potential

IA CEPA Side letters			Katalis support		
					large scale skills partnerships
Annex to Side Letter on Economic Cooperation	Improve capacity of Indonesia's Technical and Vocational Education and Training (TVET) system to boost standards and global competitiveness of Indonesian workers	Cooperation to assist Indonesia to develop sustainable linkages with Indonesian industry to help define relevant national occupational standards appropriate for Indonesian industry and labour market requirements in priority sectors.	-	-	<ul style="list-style-type: none"> • Brokering skills exchange partnership for electricians (PT ODG with Holmesglen)
Annex to Side Letter on Economic Cooperation	Improve capacity of Indonesia's Technical and Vocational Education and Training (TVET) system to boost standards and global competitiveness of Indonesian workers	Cooperation whereby Australian Registered Training Organizations could, including in consultation with Indonesian education providers, create training modules based on national standards.	-	-	<ul style="list-style-type: none"> • Clearing House Scoping Study/A Skills Exchange • Onboarding of Aus TVET providers to Indonesian Digital Platforms
Annex to Side Letter on Economic Cooperation	Improve capacity of Indonesia's Technical and Vocational Education and Training (TVET) system to boost standards and global competitiveness of Indonesian workers	Cooperation to assist in developing effective quality assurance of education providers in Indonesia.	-	-	<ul style="list-style-type: none"> • Onboarding of Aus TVET providers to Indonesian Digital Platforms, including Edtech Platforms (e.g., Binus and Pintar).
Annex to Side Letter on Economic Cooperation	Strengthen Health Professional standards and competitiveness	Undertake an initial scoping study and comparative assessment of health professional standards in Indonesia against Australia's standards.	<ul style="list-style-type: none"> • Comparative Analysis of Nursing Standards 	-	-

IA CEPA Side letters			Katalis support		
Side Letter on Mutual Recognition of Professional Engineers	-	Recommendations from this review could be considered for further economic cooperation, including to develop comprehensive standards accreditation.	<ul style="list-style-type: none"> Support action plan on Nursing Standards. 	-	-
Side Letter on Mutual Recognition of Professional Engineers	-	Within 12 months from the date of Indonesia reaching Washington Accord provisional status, Australia and Indonesia will encourage their relevant bodies to enter into negotiations on mutual recognition of professional engineers including in the field of mining engineering with a view to establishing a framework to allow professional engineers to engage in independent practice and achieve mutually beneficial outcomes in the two countries.	<ul style="list-style-type: none"> Foundational work to support engineering MRA <ul style="list-style-type: none"> Analysis of Standards, Registration Landscape and S&D of Professional Engineers Market Insight Briefs Support for implementation of MRA on engineering. 	-	-
Side letter on improving Health Professional Standards and Access to Health Services	-	Strengthening health professional standards and competitiveness	<ul style="list-style-type: none"> Comparative Analysis of Nursing Standards Support action plan on Nursing Standards. 	-	-
Side letter on improving Health Professional Standards and Access to Health Services	-	Work on TBTs to promote further standards harmonisation and support product compliance, including for pharmaceuticals and medical devices	<ul style="list-style-type: none"> Aligning standards (pharmaceutical, medical devices, wellness products) 	-	-

IA CEPA Side letters		Katalis support			
Side letter on Technical and Vocational Education and Training	-	Specific frameworks such as Australian Awards Fellowships and short courses to train eligible Indonesian Vocational Teachers, Instructors and Polytechnic Lecturers in sectors of agreed priority (note, no sectors of agreed priority specified in Side Letter but Katalis would recommend sectors already agreed as a Katalis priority - i.e., Health, Digital, Tourism, Skills/Education/Training, Advanced manufacturing (including EVs), Agrifood, Other agriculture and ag-tech, Finance, Green Energy Transition, Creative Economy and Professional/ICT/Telco Services.	-	-	<ul style="list-style-type: none"> Onboarding of Australian TVET providers to Indonesian digital platforms
Memorandum of Understanding (MOU) to establish the Indonesia-Australia Skills Development Exchange Pilot Project	Reviews	Australia and Indonesia in consultation with Business Peak Bodies will review this MOU on an annual basis or within such other period as jointly determined. The first review will take place nine months from the date on which the MOU came into effect.	-	-	<ul style="list-style-type: none"> Support review process with survey of Indonesian businesses

Source: Data request to Katalis for the Mid-term Review

Annex E: Assessment of GESI activities by breakthrough area

We undertook an assessment of GESI and disability inclusion activities for each of the three breakthrough areas was made. Table E. 1 below sets out how GESI was incorporated into different aspects of Katalis' delivery.

Table E. 1: GESI considerations for each Katalis breakthrough area

Aspect of delivery	How GESI was considered
Market Access	
Regulatory Gap Analysis (RGA)	The analysis' objective was to uncover GESI-related possibilities facilitated by IA-CEPA by applying the most suitable tools. This was accomplished by integrating the UNCTAD Gender Toolbox into the 2021 GESI and Safeguards Guidance Note and Toolkit, specifically adapting Components 1 and 3 of the Toolbox. Additionally, the result of the needs assessment is in the form of a preliminary qualitative evaluation of the GESI impacts in Indonesia, which was then merged with the CGE analysis mentioned below.
GESI Opportunities on Regulatory Analysis	One focus of regulatory analysis is to identify rules which may have negative impacts on GESI impacts, namely non-tariff measures limiting textiles, horticultural, and agricultural products, as well as restrictions on commodities, foreign ownership, and investment in the tourism and finance sectors, complex e-commerce legislation, and incompatible conformity assessment procedures for halal products. Removing these barriers is likely to result in positive GESI outcomes.
Bilateral Opportunity Assessments	GESI was established as a fundamental screening criterion in Katalis' Bilateral Opportunity Assessment (BOA) activities. This led to the identification of priority sectors for Katalis' investments, with a particular focus on industry predominantly staffed by women and sectors offering notable opportunities for people with disabilities.
Distributional GESI Impacts in Computable General Equilibrium Report	GESI impacts were presented in the Computable General Equilibrium (CGE) report. One of the main findings related to GESI was that the IA-CEPA was projected to create 738 and 908 Full-Time Equivalent (FTE) jobs in Indonesia in the first year and the following year, respectively. Among these projected jobs, 20% were expected to go to female workers. In addition, generally, the expected impact of IA-CEPA is relatively modest, at less than 0.1%, and men experience marginally higher wage growth than women on average.
Supporting Implementation of Trade in Goods, Services, and Investment Commitments	Under these activities, a series of briefing notes were prepared to accompany the issuance of new regulations, including those related to the GESI implications of IA-CEPA. These draft briefing notes serve as informative materials designed to update and educate policy makers and members of the business community regarding the GESI aspects associated with IA-CEPA.
IA-CEPA Gender Baseline Analysis	Data and qualitative analysis of gender and trade were conducted based on UNCTAD Gender and Trade Tool, with there being GESI related to service, agriculture and advanced manufacturing, namely as follow: <ul style="list-style-type: none"> • Service: Women in Australia and Indonesia hold a significant proportion of the services industry jobs. Expanding service exports will boost their employment, wages, and job security. Overall, women in both nations are poised for substantial prosperity in the growing services sector. • Agriculture: Trade in agriculture in Indonesia has both positive and negative effects on female employment. It can lead to safer agricultural jobs but may reduce opportunities for low-skilled, female small-scale farmers due to increased competition from imports. As Indonesia imports more agricultural products, it is likely that female-dominated sectors like agri-processing and services will gain prominence in the economy. • Advanced Manufacturing: Investment in advanced manufacturing benefits women in industries like garments, textiles, and light electronics, allowing skill development and advancement. With a growing Indonesian manufacturing sector, women can transition from low-skilled agricultural work to higher-paying, secure positions in value-added manufacturing.
Market integration	
Targeting Women-Dominated Cocoa Farming Sector in Agricultural Exports Pilot Project	GESI has observably played a key factor in the selection the cocoa pilot project. The choice to focus on cocoa was underpinned by the primary considerations outlined during discussions with Bappenas which showcased a high rate of female participation in this sector. From consultation with the beneficiary, we understand that a substantial portion of cocoa cultivation is done by smallholder farms, which predominantly involve women who contribute significantly to these operations. Therefore, the activity can contribute to improving the overall welfare of

Aspect of delivery	How GESI was considered
	<p>the farmers. In general, the Pipiltin Cocoa project is deemed successful due to the contribution of Katalis, along with the integration of GESI aspects, as outlined below:</p> <ul style="list-style-type: none"> • Regarding the market access query on the ability to establish an independent market, Katalis serves as a significant aid, functioning as a strategic partner. Impact investors often assess the potential impacts, which traditionally remains a conventional practice. However, Katalis emphasizes the opportunity to prioritize specific regions to address women's empowerment issues more extensively. • The business leading this project has served as an exemplary model in Indonesian Trade Promotion Center (ITPC) Australia, showcasing it as a sustainable Indonesian product. This opens up an opportunity to explore different dimensions of agricultural trade, including the quality concerns surrounding commodities that farmers must address to meet global standards in order to create additional avenues for both nations. For instance, initiating a study on cocoa to evaluate its export potential and to identify the particular quality criteria needed to meet the demands of the Australian market.
Supporting Development of WHIP Program Greenfield Hospitals	<p>With an anticipated 70% female workforce, the healthcare sector in Indonesia presents significant opportunities for the employment of women. This activity demonstrates how Katalis' early considerations and strategy (undertaken as part of BOAs) have clearly resulted in development of a sector that has a focus on women, in particular one that employs a lot of women. Although no specific results on GESI are recorded, Katalis' Progress Report anticipates that the overall WHIP program would yield highly favourable GESI outcomes.</p>
Training Accessibility for Vulnerable Groups in Grains Value Chain	<p>The training has integrated GESI into the development of an inclusive agri-food business forum. It has implemented an online training initiative tailored for flour mills, encompassing designed grains leadership courses. These sessions are accessible to anyone with a smartphone or internet connectivity and have been designed to be inclusive, accommodating both women and people with disabilities. By doing so, this course not only fosters greater equality in training opportunities for flour mill workers but also sets a broader precedent for training delivery across diverse industries within Indonesia.</p>
Skills for Recovery	
Prospera Market Analysis	<p>Katalis has collaborated with Prospera to analyse Indonesia's labour market. The collaboration also involved interviews and surveys conducted with Indonesian businesses and Australian TVET providers to pinpoint crucial skill gaps and complementary training options. Among the market analysis findings is relating to gender pay gaps in Indonesia, whereby disparities are more pronounced in rural regions (30%) compared to urban areas (around 20%). As a result of this research, numerous trade, investment, and development prospects have emerged, with potential benefits for women and individuals with disabilities.</p>
Indonesia-Australia Skills Exchange	<p>In 2021 the program specifically ensured to prioritise industries that were found to heavily employ women, such as health, tourism and digital services. These industries were then prioritised during the exploration of technical vocational education and training opportunities under this program, aiming to foster increased collaboration between major Indonesian employers and Australian training providers</p>
Partnership with stakeholders in the digital industry	<p>Katalis, in collaboration with Indonesian business community and Australian TVET providers, has developed educational programs aimed at narrowing Indonesia's skills gaps. These efforts place a particular emphasis on empowering women and individuals with disabilities. Furthermore, the program pioneers innovative online teaching methods to ensure accessibility and inclusivity, reaching even the most remote and underserved regions of Indonesia. For instance, in partnership with Traveloka, digital literacy training is extended to 'touring villages' frequented by travelers, allowing a diverse array of participants to benefit from inclusive skill development opportunities while raising awareness about gender and social inclusion.</p>
Beneficiary activities under Skills for Recovery	<p>One such activity is the onboarding of Australian skill training providers to Indonesian counterparts as part of the program's beneficiary activities. As an example, Binus Center has reached out to Katalis for assistance in creating 12 micro-credentials related to professional skills, women's leadership, and collaboration with individuals with disabilities. These micro-credentials are intended for delivery through their online platform and are expected to benefit up to 40,000 trainees. TAFE Queensland has been identified as a possible partner for implementation due to an existing Memorandum of Understanding (MoU) between the two organisations</p>

Aspect of delivery	How GESI was considered
<p>Established pipeline for GESI-informed upskilling activities</p>	<p>Katalis has identified a strong demand for conventional forms of skills exchange. One of them is the request from a bus operator company for training on gender equality and social inclusion. The upcoming training program aims to enhance awareness about GESI, with a specific focus on women's leadership. This training initiative will be conducted by an Australian training provider. The pilot program holds the potential to eventually benefit the company's extensive workforce of 5,500 employees, as well as employees of other SOEs and various Indonesian businesses.</p>



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